

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 179** SLS 17RS 391

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 9, 2017	5:48 PM	<b>Author:</b> MORRELL
<b>Dept./Agy.:</b> Revenue		<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Tax Credit for Ad Valorem Tax on OCS Vessels		

TAX/TAXATION OR +\$52,700,000 GF RV See Note Page 1 of 1  
Terminates the tax credit for vessels in Outer Continental Shelf Lands Act Waters. (gov sig)

Current law provides a refundable tax credit against income and corporate franchise tax for local ad valorem taxes paid on vessels used in outer continental shelf waters.

Proposed law provides that no such credit will be available for ad valorem taxes paid on or after January 1, 2018.

Effective upon governor's signature.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$42,400,000	\$48,700,000	\$52,700,000	\$52,700,000	<b>\$196,500,000</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$42,400,000</b>	<b>\$48,700,000</b>	<b>\$52,700,000</b>	<b>\$52,700,000</b>	<b>\$196,500,000</b>

**EXPENDITURE EXPLANATION**

The Department of Revenue will incur minor reprogramming costs to incorporate the change in this credit. Additional resources may be required by the department dependent upon the cumulative amount of changes enacted in the session.

**REVENUE EXPLANATION**

The Revenue Dept. Tax Exemption Budget reports that the average amount of credit taken for these vessels was \$52.7 million over the last three year (FY14 - FY16) on individual and corporate income tax returns and franchise tax returns. Credit totals reported by fiscal year include a number of tax years. Any given fiscal year of credits will contain roughly 80% from the immediately preceding tax year, 12% from two tax year preceding, and 8% from the third tax year back (even earlier tax years can be exhibited in small shares). Applying these shares to the average fiscal year effect, approximately \$42.4 million of credit will be denied for ad valorem tax paid in 2018 to be claimed in late FY19. That amount again will be denied for taxes paid in 2019 plus the 12% share or \$6.3 million from 2018 taxes paid, for a total of \$48.7 million in FY20. Both of those amounts again will be denied for taxes paid in 2020 and 2019, plus the trailing 8% share or \$4.2 million for tax paid in 2018, for a total of \$52.7 million in FY21. By that fiscal year, under this estimating model, state net revenue gains would stabilize in the \$52.7 million range each year.

Senate Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*John D. Carpenter*  
**John D. Carpenter**  
**Legislative Fiscal Officer**