

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



Fiscal Note On: **HB 653** HLS 17RS 1374

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 4, 2017 9:48 AM	<b>Author:</b> BROADWATER
<b>Dept./Agy.:</b> Economic Development	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Continue Reductions To Certain Corporate Deductions	

TAX/CORP INCOME OR +\$16,500,000 GF RV See Note  
Provides relative to corporate income tax deductions

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Present law reduces the allowable amount associated with a variety of corporate tax deductions and exclusions through June 30, 2018.

Proposed law removes the June 30, 2018 sunset date for the reduced deduction/exclusion amounts, and makes minor changes to the percentages of allowable depletion deduction.

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	\$16,500,000	\$16,500,000	\$16,500,000	\$16,500,000	<b>\$66,000,000</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>\$16,500,000</b>	<b>\$16,500,000</b>	<b>\$16,500,000</b>	<b>\$16,500,000</b>	<b>\$66,000,000</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION**

The Dept of Revenue was able to estimate some of the deductions affected by this bill by recalculating tax returns filed prior to the current law reductions with and without the reductions this bill makes permanent. Those recalculations resulted in an increase in corporate tax liabilities totaling \$16.5 million. This result is comprised of \$12.9 million from dividend income deductions, and \$3.6 million from depletion allowance deductions.

Since the present law reductions are effective through FY18, the first year of effect resulting from this bill in FY19.

Caveats are warranted for estimates of changes in corporate tax liabilities. The underlying tax base of corporate profits is highly volatile from year to year, making estimates based on single year recalculations of returns unreliable. In addition, corporate tax filers have a wide variety of tax strategies available to them minimize and offset increased tax liabilities in any particular year. Thus, while permanent reductions in various deductions and exclusions ultimately works to increase tax liabilities, estimates of receipts in any particular year are highly unreliable.

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}

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