

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 480** HLS 19RS 855

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 7, 2019	11:57 AM	Author: DAVIS
Dept./Agy.: Economic Development		Analyst: Greg Albrecht
Subject: Research & Development Tax Credit		

TAX CREDITS EG -\$1,000,000 GF RV See Note Page 1 of 1

Increases the amount of the research and development tax credit, authorizes transferability and a state buy-back on the credit, and extends the sunset provision

Present law provides tax credits of 30% of eligible expenditures for entities employing less than 50 persons or have received a Phase I or II grant from the federal Small Business Technology Transfer Program or a federal Small Business Innovation Research Grant. These credit are nonrefundable and not transferable for participants employing 50 persons or less, but are transferable for grant recipient participants. No credits are allowed for the entire credit program for expenditures incurred after December 31, 2021.

Proposed law extends the availability of credits for an additional four years to December 31, 2025.

Effective on January 1, 2020

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	(\$1,000,000)	(\$2,000,000)	(\$3,000,000)	(\$6,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	(\$1,000,000)	(\$2,000,000)	(\$3,000,000)	(\$6,000,000)

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Under current law credits would be available until December 31, 2021 anyway. Thus, a baseline of program credit costs would likely continue over the fiscal note horizon at diminishing levels until participation and claims played out with no new participants entering the program. Credit realizations against tax liabilities have average close to \$5 million per year for the last three years (FY16 - FY18). Assuming this level of claims continues, the bill's extension of the program will add increasing costs each year relative to the baseline expectation. The earliest year of potential impact is FY22, with costs rising each year, maintaining the \$5 million per year norm.

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
Legislative Fiscal Officer