

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



Fiscal Note On: **SB 52** SLS 202ES 208

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> October 13, 2020 12:42 PM	<b>Author:</b> REESE
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Inventory Tax Credit	

TAX/AD VALOREM

EG SEE FISC NOTE GF RV See Note

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Provides for credits for certain ad valorem taxes paid for the 2020 tax year. (gov sig) (Item #26)

Current law provides a tax credit against state income and corporate franchise taxes for ad valorem taxes paid on inventory, outer continental shelf vessels, and by land-line telecommunications companies. The credit is claimed on the tax return for the year in which the ad valorem taxes were paid.

Proposed law will allow a one-time acceleration of credit claims to the extent taxpayers claiming credit for ad valorem taxes paid for the 2020 tax year on inventory, outer continental shelf vessels, and by land-line telecommunications companies when paid after December 31, 2020 and on or before April 15, 2021. These payments can be claimed on their 2020 tax returns rather than their 2021 tax year returns. If taxpayers elect to do this, they may not also claim the credit associated with these payments on their 2021 tax returns. Effective upon governor's signature.

<b>EXPENDITURES</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<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>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	DECREASE	INCREASE	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

The Dept of Revenue indicated no additional implementation costs associated with this one-time change in the timing of credit claims.

**REVENUE EXPLANATION**

To the extent taxpayers take advantage of this bill's provision, greater credit claims occur initially than would otherwise be the case, but less claims than would otherwise be the case are consequently claimed later. It is indeterminable as to how many taxpayers and their associated credit claims would take advantage of this provision. The effect of the bill is reflected in the table above as a decrease in revenue from what would otherwise occur in FY21, and an increase in revenue in FY22 from what would otherwise occur. Since changes in tax year provisions typically show up on corporate returns over a three year period (11% on the immediate year return, 84% on the second year return, and the 5% balance on the third year return), and on individual returns over two years (90% on the immediate year return, and the 10% balance on the second year return), three fiscal years may actually be affected by the bill.

For informational purposes, ad valorem tax credits claimed on returns received in FY19 totaled some \$278 million for inventory, \$66 million for OCS vessels, and \$14 million for telecomm companies.

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}

**Christopher A. Keaton**  
**Legislative Fiscal Officer**