

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 11** SLS 21RS 99

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 17, 2021	1:05 PM	Author: TALBOT
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Tax Exemption for Covid-19 Relief Benefits		

TAX EXEMPTIONS OR DECREASE GF RV See Note Page 1 of 1
Provides an individual and corporation income tax exemption for state and federal COVID-19 relief benefits. (gov sig)

Proposed law exempts from individual and corporate income tax any gratuitous grant, loan, rebate, tax credit, advance refund, or other qualified disaster relief benefit provided directly or indirectly by the state or federal government as a Covid-19 relief benefit, if included in federal gross income. This provision is not applicable to any unemployment compensation benefits provided to a taxpayer.

Effective upon governor's signature, and shall be retroactively and prospectively applied.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	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	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

The Department of Revenue may incur some costs to account for this exclusion in the tax processing systems, as well as to verify refunds associated with amended returns. The department estimates the tax system modifications and testing of additional adjustments to income components of the tax return and filing mechanism to require roughly \$51,000 of IT staff time.

REVENUE EXPLANATION

The Dept of Revenue reviewed a number of the federal Covid-19 relief acts, as well as state programs that distributed some of that aid. Considerable uncertainty exists as to whether the aid from any particular relief program is taxable at the federal level and, thus, at the state level. Some of this aid may show up in federal adjusted gross income, but some would likely not. To the extent aid is reported in federal adjusted gross income, this bill would exempt that income from state taxation, and reduce state revenue collections from what they would otherwise be. Foregone tax collections are indeterminable.

However, the effect of any Covid-19 relief on state income tax receipts has not been explicitly incorporated into state revenue forecasts, from which this bill would require a reduction. It is possible, though, that the effect of such benefits could show up in tax payments associated with tax return filings for tax year 2020 that are currently occurring, as well as returns for future tax periods. To that extent, the bill may result in refunds of tax payments attributable to those benefits in FY22 and subsequent fiscal years. To receive such refunds, affected taxpayers would have to file amended returns for each affected tax year. The magnitude of any such exposure and ultimate refunds against the state fisc is also indeterminable.

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