

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



Fiscal Note On: **SB 69** SLS 23RS 274

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 19, 2023	3:59 PM	<b>Author:</b> FOIL
<b>Dept./Agy.:</b> Revenue		<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Extends the R&D Tax Credit by 4 years to 12/31/29		

TAX/TAXATION EG -\$1,000,000 GF RV See Note  
Extends the sunset of the research and development tax credit. (gov sig)

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Present law provides tax credits of 30% of eligible expenditures for entities employing less than 50 persons or those that have received a Phase I or II grant from the federal Small Business Technology Transfer Program or a federal Small Business Innovation Research Grant (10% if employing 50-99, and 5% if employing 100 or more). These credits are nonrefundable, but with a five-year carry-forward allowed for unused credit amounts, and not transferable for participants employing 50 persons or less, but are transferable for federal grant recipient participants. No credits are allowed for the entire credit program for expenditures incurred after December 31, 2025.

Proposed law extends the availability of credits for an additional four years to December 31, 2029.

<b>EXPENDITURES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</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>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	(\$1,000,000)	(\$2,000,000)	(\$3,000,000)	<b>(\$6,000,000)</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	<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>(\$1,000,000)</b>	<b>(\$2,000,000)</b>	<b>(\$3,000,000)</b>	<b>(\$6,000,000)</b>

**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 for expenditures made up to December 31, 2025, anyway (within FY 26). 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 averaged \$6.1 M per year for the last three years (FY 20 - FY 22). Assuming this level of claims continues, the bill's extension of the program will add increasing costs each year relative to the baseline expectation of annually declining costs. The earliest year of potential impact is FY 26, with costs rising each year (presumed here as an even incremental pattern), maintaining the roughly \$5 M per year normal cost of the program.

In the 2021-22 Tax Exemption Budget, the Dept. of Revenue projected program credit costs of \$6.5 M and \$7.4 M per year for FY 23 and FY 24, respectively. Should those projections become the new norm for program cost realizations, then the annual credit cost ramp-up resulting from the bill is likely to be somewhat higher than depicted in the table above.

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}

*Alan M. Boxberger*

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