



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

Fiscal Note On: **HB 563** HLS 15RS 1272  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 4, 2015 5:58 PM	<b>Author:</b> THIERRY
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Reduces Selected Tax Credits	

TAX CREDITS OR +\$13,000,000 GF RV See Note Page 1 of 1  
 Reduces certain income and corporation franchise tax credits

Proposed law reduces a variety of tax credits by 20% each. The affected credits are: ad valorem tax on inventory, ad valorem tax on offshore vessels, solar energy installations, musical/theatrical productions, and alternative fuel vehicle conversions. These credits are taken against the personal and corporate income tax and the franchise tax.

The bill is effective July 1, 2015.

<b>EXPENDITURES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</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>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$13,000,000	\$109,000,000	\$115,000,000	\$115,000,000	\$115,000,000	<b>\$467,000,000</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>\$13,000,000</b>	<b>\$109,000,000</b>	<b>\$115,000,000</b>	<b>\$115,000,000</b>	<b>\$115,000,000</b>	<b>\$467,000,000</b>

**EXPENDITURE EXPLANATION**

The Department of Revenue (LDR) will incur costs for computer system modification and testing, tax form redesign, and tax payer inquiries. These costs are typically small for individual tax law changes (typically a few thousand dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided. However, this bill changes a variety of credits, and system modification costs will be consequently greater.

**REVENUE EXPLANATION**

Based on recent claims reported in the Department of Revenue FY14 Tax Exemption Budget (TEB), a 20% reduction in the credits modified by this bill amounts to approximately \$115 million. A number of the affected credits have little or no recent claims, with the bulk of the estimate associated with the credits for ad valorem tax on inventory and offshore vessels.

The bill is effective July 1, 2015 and does not specify tax years of applicability. The fiscal note assumes that all tax periods starting on or after July 1, 2015 will be affected. Since the fiscal year values reflected in the TEB are the result of numerous tax period returns received in a fiscal year, the first year effect of this bill is likely to be small because it is typical for only a small portion of the returns received in any fiscal year to be attributable to the immediately preceding tax year. The second fiscal year effect is larger because two preceding tax years of returns will have been affected by the bill's credit reduction. The fiscal year effect ramps over time as more and more of the returns received in a fiscal year are from tax periods affected by the credit reduction.

Based on data provided by the Department of Revenue detailing the distribution of tax year returns in fiscal year filings for the ad valorem credits that dominate the effect of this bill, the fiscal note assumes 11% of effect in FY16, then 95% in FY17, and the balance in FY18 and beyond. There will likely be growth associated with the inventory component of the bill. However at the same time the solar energy installations credit is phasing out under current law. These factors tend to offset each other to some degree, and for simplicity the fiscal impact is assumed stable in the out years.

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|--|----------------------------|-------|--|
| Senate   | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}                  |                            |       | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}                 |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} |                            |       | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

  
**John D. Carpenter**  
**Legislative Fiscal Officer**