



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: HB 47 HLS 161ES 169
Bill Text Version: ORIGINAL
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.: REVISED

Date: February 22, 2016 11:37 AM
Dept./Agy.: Revenue
Subject: Inventory Credit
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TAX CREDITS OR +\$294,000,000 GF RV See Note Page 1 of 1
Reduces the amount of certain ad valorem tax credits and provides for the carryforward rather than the refund of a certain portion of excess credit amounts (Item #31)
For property taxes paid on inventory, OCS vessels, and landline telecom property prior to January 1, 2016, 100% is eligible for credit against state tax liabilities. However, none of this credit is refundable, but one-fourth of the credit amount in excess of liabilities can be carried-forward evenly over the next four years. Current law provisions are retained for taxpayers paying less than \$10,000 of property tax.
For such property taxes paid after January 1, 2016 the credit is 80% of the property taxes paid. Existing provisions regarding 75% refundable and 25% nonrefundable with five-year carry forward are retained.

Effective upon governor's signature.

Table with 7 columns: EXPENDITURES/REVENUES, 2016-17, 2017-18, 2018-19, 2019-20, 2020-21, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Act 133 of the 2015 session established the current provisions for inventory that that this bill is modifying. That bill is expected to result in substantial additional net collections to the state as a result of allowing taxpayers to receive refunds for 75% of the inventory credit that exceeds tax liabilities, with the state essentially gaining the 25% share that was made nonrefundable with a five-year carry forward.

The Department of Revenue attempted to work around this complication by establishing a baseline credit cost expectation due to the 2015 changes but based on FY14 tax filings and credit claims with respect to the level of claims and liabilities, and the pattern of tax year filings within a fiscal year time frame (for example, 11% from the first preceding calendar year, 84% from the second preceding year, and 5% from the third preceding year).

Some additional collections may occur in the latter months of FY16, associated with the refundable portion of inventory taxes paid in 2015. Roughly 11% of the typical filings by fiscal year. This potential amount might be as much as \$46 million, although filers may delay filings with extensions into FY17 since they would effectively owe more tax under this bill.

Senate Dual Referral Rules House

- 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
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}

Signature of John D. Carpenter
John D. Carpenter
Legislative Fiscal Officer