



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: HB 24 HLS 161ES 55
Bill Text Version: REENGROSSED
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: March 8, 2016 9:12 AM Author: JACKSON
Dept./Agy.: Revenue Analyst: Deborah Vivien
Subject: Makes Act 125 of 2015 Regular Session permanent

TAX CREDITS RE SEE FISC NOTE GF RV Page 1 of 1
Repeals the three-year sunset of certain reductions to income and corporation franchise tax credits (Item #10)

Current law (Act 125 of 2015) reduced numerous income tax credits and tax incentives applicable to all claims for credits on or after 7/1/15 but before June 30, 2018, regardless of the tax year to which the claim relates. Major categories of tax credits include the citizens assessment credit, education credit, new jobs credit, recycling credit, and milk producers credit, among others. The maximum alternative fuel credit for new vehicles is reduced by 50% to \$1,500. Tax incentives impacted in the bill are the digital media, angel investor, live music and theater productions, sound recording, brownfields, technology commercialization, and others beginning with new applications. Reductions in the ports credits, import/export cargo and green jobs credit are effective with all credits claimed on or after 7/1/15, instead of new applications. However, benefits reduced on returns filed after 7/1/15 pursuant to an extension filed prior to 7/1/15 can be recouped in one-third increments over three subsequent fiscal years, beginning with CY17 (FY 18). The reductions are not applicable to amended returns timely filed after 7/1/15, relating to original returns filed prior to 7/1/15 and properly claiming an exemption, credit, rebate, or deduction. Proposed law extends the changes of Act 125 of 2015 for as long as HB 62 of this session remains in effect. HB 62 broadens the state sales tax base and increases the state tax rate. HB 62 is currently in conference committee with a term to April 1, 2021.

Table with 7 columns: EXPENDITURES, 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.

Table with 7 columns: 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. This bill reduces the need for the department to change forms when the affected provisions revert back to their original level on June 30, 2018. Just as any costs would have been absorbed in the departmental budget, any resources made available will be directed to other functions of the agency.

REVENUE EXPLANATION

Act 125 of 2015 currently expires on July 1, 2018, with net state revenue gains currently anticipated through FY18 before recoupment provisions and termination of the Act result in net revenue losses in FY19 and FY20. Then the revenue baseline returns to its pre-Act 125 path. Should HB 62 fail to be enacted, Act 125 would apply for its currently enacted term, with currently anticipated net state revenue gains through FY18.

To the extent HB 62 of the 2016 session remains in effect, the termination provisions of Act 125 are inapplicable and net state revenue gains beyond FY18 may occur (HB 62 is currently in conference committee with an effectiveness to April 1, 2021).

However, should HB 62 be enacted with an effective term even shorter than currently anticipated for Act 125, then the currently anticipated net revenue gains from Act 125 would be curtailed.

Estimated net revenue gains associated with Act 125 were in the range of \$30 million per year, exclusive of recoupment provisions and termination.

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}

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