LEGISLATIVE FISCAL OFFICE
Fiscal Note

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

Date: March 14, 2016 9:22 AM
Author: JACKSON
Dept./Agy.: Revenue
Subject: Term of Act 125 of 2015 Regular Session
Analyst: Deborah Vivien

TAX CREDITS EN NO IMPACT GF RV See Note

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. As enrolled, HB 62 terminates on July 1, 2018.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

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

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.

As enrolled, HB 62 of 2016 terminates on July 1, 2018, the same date as Act 125 of 2015. Thus, this bill has no effect on the term and anticipated revenue effect of Act 125 of 2015.

Estimated net revenue gains already anticipated from Act 125 are $33.5 million in FY17, then dropping to $27.6 million in FY18 as recoupment provisions begin to have effect. Revenue effects then go negative at -$2.9 million in FY19 and -$3.6 million in FY20, as the Act terminates at the end of FY18 and recoupment provisions continue.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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