

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



Fiscal Note On: **SB 79** SLS 17RS 102  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 14, 2017 4:51 PM	<b>Author:</b> LUNEAU
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Repeal Tax Credit Reduction Sunset	

TAX/TAXATION OR +\$21,500,000 GF RV See Note Page 1 of 1  
 Removes the June 30, 2018, sunset provision and makes permanent reductions to certain income and corporation franchise tax credits. (gov sig)

Present law reduces numerous credits to the income and franchise taxes through June 30, 2018 by 28% (Act 125 of 2015 as amended by Act 29 of 2016 ES1). After which the credits return to their full 100% value.

Proposed law repeals the June 30, 2018 termination of the credit reductions on Act 125, making the reductions permanent.

Effective upon governor's signature.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</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>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$21,500,000	\$21,500,000	\$21,500,000	\$21,500,000	<b>\$86,000,000</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>\$21,500,000</b>	<b>\$21,500,000</b>	<b>\$21,500,000</b>	<b>\$21,500,000</b>	<b>\$86,000,000</b>

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

The credit reductions of Act 125 were expected to generate from \$31.5 million to \$27.6 million per year over FY16 to FY18 before expiring in FY19 and beyond. This expectation was based on actual credit claims over a number of years prior to the effectiveness of the Act. The applicability of the Act to returns filed on or after July 1, 2015 rather than filed for particular tax years, as well as the temporary life of the Act likely distorted the behavior of taxpayers and has made income and franchise tax collections more uncertain, especially with regard to tax credits.

The Dept of Revenue (LDR) estimated the revenue effect of this bill by recalculating tax returns filed in FY16 under the provisions of current law that will be in place in FY19 (basically 100% credit values but without the Citizens Assessment credit since its reduction has been made even greater and permanent by subsequent Acts). This was compared to the average of this recalculation and actual credit claims on returns filed in FY15 (to approximate a typical fiscal years' filings under what current law will be in FY19). The result of those calculations was a net revenue gain of some \$21.5 million. First effects of this bill would be realized in FY19.

Not included in these estimates are the potential effects of changes to the priority of credits made in Act 23 of 2016 ES1, and the 3-year recoupment provisions of credits lost to taxpayers from 2014 tax year returns filed under extension in 2015.

While permanent continuation of the credit reductions will work to ultimately increase net tax receipts, the timing and magnitude of that effect is more uncertain than before Act 125 was enacted. That uncertainty is exhibited in how LDR had to estimate the effect of this bill. Actual revenue gains may take some time to normalize as taxpayers incorporate the likely permanence of the credit reductions, and will likely differ from those estimated above.

Senate  
 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}

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