

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 181** SLS 17RS 393
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 3, 2017	4:37 PM	Author: MORRELL
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Modifies and Terminates Various Tax Credits		

TAX/TAXATION EG +\$3,500,000 GF RV See Note Page 1 of 1
 Terminates certain tax credit programs. (gov sig)

The bill prohibits certain tax credits from being earned after June 30, 2017, maintains reductions of certain credits, and repeals certain expired tax credits.

Effective upon governor's signature.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$3,500,000	\$4,500,000	\$5,000,000	\$5,000,000	\$18,000,000
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$3,500,000	\$4,500,000	\$5,000,000	\$5,000,000	\$18,000,000

EXPENDITURE EXPLANATION

The Dept. of Revenue will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time (\$51,000 in this case). Eventually, fewer credits would have to be accounted for in tax filings, reducing tax administration costs. An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the Dept.

REVENUE EXPLANATION

The Dept. of Revenue examined each credit affected by the bill to establish a likely revenue effect resulting from each credit's particular modification or termination, based on historical claims of the credits and filing patterns of tax returns. However, the value of credits and the pattern of their claims have been distorted by legislation enacted in the 2015 and 2016 session. Where possible, those legislative actions were attempted to be accounted for, but not all such actions could be accounted for. The resulting increases in net revenue collections from modifying or terminating credits are highly uncertain.

Revenue effects would likely first occur in FY19. A roughly three-year transition to almost all returns reflecting the modifications and terminations of these credits results in the step-up in net revenue gains.

Any carry-forward provisions are assumed to remain in effect for credits received prior to the termination date of the bill. Credits based on a contract and/or application are not included in the total above due to the relatively long lag time it takes after entering those programs and the receipts and realization of the associated credits. These credits amounted to \$65 million in FY16.

Senate Dual Referral Rules
 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}

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