



LEGISLATIVE FISCAL OFFICE
Fiscal Note

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

Date: June 12, 2017 1:38 PM	Author: LUNEAU
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Repeal Tax Credit Reduction Sunset	

TAX/TAXATION EN +\$12,500,000 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. Various credit benefit rates are rounded by small amounts

Effective upon governor's signature.

EXPENDITURES	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>5 -YEAR TOTAL</u>
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	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$12,500,000	\$12,500,000	\$12,500,000	\$12,500,000	\$50,000,000
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	\$12,500,000	\$12,500,000	\$12,500,000	\$12,500,000	\$50,000,000

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.

Due to the distortions generated by the application of Act 125, the effects of other legislation affecting some of these credits, and further evaluation of the credits affected by Act 125, the estimated revenue effect of continuing the credits addressed by the bill is a net revenue gain of some \$12.5 million. First effects of this bill would be realized in FY19.

While permanent continuation of 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. 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 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}


John D. Carpenter
Legislative Fiscal Officer