

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 11** SLS 182ES 34

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 29, 2018	10:10 AM	Author: MORRELL
Dept./Agy.:		Analyst: Greg Albrecht
Subject: Limits Annual Costs of Various Tax Credits and Rebates		

TAX/TAXATION OR +\$1,300,000 GF EX See Note Page 1 of 1
Limits annual expenditures on certain tax credit and rebate programs and terminates the programs in 2025. (Item #21)
(gov sig)

The bill amends numerous tax credits and rebates by establishing annual maximum aggregate claim amounts for each affected program. In addition, the programs are terminated as of tax year 2026 and, in cases with little activity no claims can be made after July 1, 2018. Effective for all claims for rebates and credits filed with the Department of Revenue on or after July 1, 2018, regardless of the taxable year to which the claim relates.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$1,300,000	\$1,000,000	\$1,020,000	\$1,040,000	\$1,060,000	\$5,420,000
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$1,300,000	\$1,000,000	\$1,020,000	\$1,040,000	\$1,060,000	\$5,420,000

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

EXPENDITURE EXPLANATION

The Department of Revenue has administered limitations on aggregate credit claims for the film credit program and the solar installation program. However, this bill will require such administration on 39 additional credits and rebates. Additional administrative costs will be likely. The Dept. of Revenue estimates nearly \$1.3 million of costs and 14 additional personnel to implement the caps required by the bill. First year information technology costs for system design, development, and testing are estimated at \$205,000. Personnel additions and costs are due to the considerable amount of manual effort required to review each return claiming these credits. Examples of complexity noted by the Dept. include the Citizens Assessment Credit claimed on over 373,000 returns, and the Enterprise Zone program with multiple components subject to its \$41 million cap (jobs credit on income tax returns - both individual and corporate, an investment tax rebate on a stand-alone form submittal, and a sales tax refund separately submitted). The number and cost of additional personnel required will ultimately depend on the complexity of each affected credit and rebate, and the number of interactions with taxpayers and returns required.

REVENUE EXPLANATION

While the bill establishes specific annual maximum aggregate claim amounts for each of numerous tax credits and rebates, the maximums appear to be essentially the amounts most recently realized by these programs. These programs can be volatile, exhibiting cost surges and sharp fall-offs from year to year, and in a number of cases no activity has been reported for several years. Thus, the bill does not assure any immediate or definite cost reduction to the state for budgeting purposes but, over time seems likely to constrain overall costs to no more than what has been experienced in recent periods. Assuming growth in these programs in the aggregate, this should result in greater net revenue collections than currently anticipated, but any specific estimate would be speculative.

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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Legislative Fiscal Officer