

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 480** HLS 19RS 855

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.: **w/ PROP HSE COMM AMD**

Sub. Bill For.:

Date: April 28, 2019 5:45 PM	Author: DAVIS
Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Research & Development Tax Credit	

TAX CREDITS OR -\$4,700,000 GF RV See Note Page 1 of 1

Increases the amount of the research and development tax credit, authorizes transferability and a state buy-back on the credit, and extends the sunset provision

Present law provides tax credits of 30% of eligible expenditures for entities employing less than 50 persons or have received a Phase I or II grant from the federal Small Business Technology Transfer Program or a federal Small Business Innovation Research Grant. These credit are nonrefundable and not transferable for participants employing 50 persons or less, but are transferable for grant recipient participants. No credits are allowed for the entire credit program for expenditures incurred after December 31, 2021.

Proposed law decreases the tax credit available to these entities employing less than 50 persons from 30% to 25% of eligible expenditure, and makes the credit transferable. The entire credit program is extended for an additional two years to December 31, 2023.

Effective for tax periods beginning on and after January 1, 2020

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	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	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$2,400,000)	(\$4,700,000)	(\$4,700,000)	(\$4,700,000)	(\$16,500,000)
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	(\$2,400,000)	(\$4,700,000)	(\$4,700,000)	(\$4,700,000)	(\$16,500,000)

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The bill with proposed House Committee amendment reduces the R&D credit for entities with less than 50 employees from 30% to 25%. In this case, though, the credits are made transferable. LED re-estimated the potential effect of the bill relative to the effect of the Original bill without proposed amendments. That resulted in a fiscal cost of the bill some 55% of the cost of the Original bill. Treating transferability as functionally equivalent to refundability, the bill would be expected to increase credit costs by some \$4.7 million per year. Since the first tax period of the bill's effectiveness is tax year 2020, the first cost increases would be expected to occur in FY21. The first year of costs will likely be smaller than discussed above as it will take time for applications to respond to the bill, and for LED and Revenue Dept. processing.

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