LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On:	**SB 62** SLS 202ES 237
Bill Text Version:	**ENROLLED**
Opp. Chamb. Action:	
Proposed Amd.:	
Sub. Bill For.:	

Date: October 22, 2020 1:16 PM
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Dept./Agy.: Revenue
Subject: Inventory Credit - Manufacturers
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TAX/AD VALOREM EN DECREASE GF RV See Note

Provides for the refundable portion of the inventory tax credit for certain manufacturers impacted by the 2020 emergencies and disasters. (gov sig) (Item #26)

Current law allows a credit against state income and franchise tax liabilities for ad valorem taxes paid on inventory. The amount of credit in excess of tax liabilities that is allowed to be refunded to a taxpayer is limited depending on the amount of ad valorem taxes paid by the taxpayer, with the balance of excess credit non-refundable but provided a five-year carryforward of unused credit amounts.

Proposed law would make 100% of the excess credit refundable for taxes paid for tax year 2020 only. This provision is applicable to taxpayers who paid $1 million or less in ad valorem taxes and who remitted withholding taxes for at least one month within each of the first three quarters of 2020 on a minimum of 100 full-time employees at each location in the state. These proposed provisions shall not apply to manufacturers.
Effective upon governor's signature.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	$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	$0	$0	$0	$0	$0	**$0**
Annual Total				**$0**	**$0**	**$0**

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	$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	$0	$0	$0	$0	$0	**$0**
Annual Total				**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

Since the withholding tax form filed by employers does not contain information on the number of employees or their employment status (full-time vs part-time), enforcement of the bill's provisions regarding withholdings on a minimum of 100 full-time employees will require research by the Dept. of Revenue on each taxpayer taking advantage of the bill's provisions. This will entail some unknown amount of extra time and cost associated with diverting resources to this task during each year for which affected returns are received.

REVENUE EXPLANATION

The Dept. of Revenue does not have information regarding affected taxpayers with at least 100 full-time employees who had income tax withheld and remitted to each of the first three quarters of 2020. Withholding forms filed by employers do not contain information on the number of employees or their employment status (full-time vs part-time), nor the location of the associated employees. Thus, the Dept. would have to research each taxpayer taking advantage of the bill's provisions once claims for refund have been made. The exclusion of manufacturers works to limit the cost exposure to the state, and while the employment conditions work to preclude numerous small businesses (bars, restaurants, small retailers, etc.) from the bill's benefit and limit its cost exposure to the state, many of those small businesses are unlikely to have inventory credit sufficient to benefit from the bill otherwise. While mitigated, the state fiscal exposure is indeterminable.

The realization of each year's additional refund amounts would be typically spread over a 3-year period, with 11% on the immediate tax year 2020 return filing in FY21, 84% in FY22, and the last 5% in FY23. The bill affects only one tax period. Thus, material fiscal impacts would not typically extend beyond FY23.

Inventory tax credit claims on individual tax returns can not be distinguished by business type or employment level, but would add some amount to the cost exposure, typically spread over only two years by individuals (90% in the immediate year and 10% in the following year).

Senate — **Dual Referral Rules**

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [x] 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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