

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 506** HLS 21RS 929

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 26, 2021 2:23 PM	Author: BEAULLIEU
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Net Operating Loss Deduction	

TAX/INCOME TAX OR -\$75,000,000 GF RV See Note
Increases the amount of the net operating loss deduction

Current law limits the utilization for a taxable year of net operating loss deductions to 72% of the net operating loss carryovers to the taxable year.

Proposed law allows the full amount of net operating loss carryovers to the tax year to be utilized.

Applicable to tax years beginning on or after January 1, 2021.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	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	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	(\$13,500,000)	(\$67,500,000)	(\$75,000,000)	(\$75,000,000)	(\$75,000,000)	(\$306,000,000)
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	(\$13,500,000)	(\$67,500,000)	(\$75,000,000)	(\$75,000,000)	(\$75,000,000)	(\$306,000,000)

EXPENDITURE EXPLANATION

The Dept. of Revenue will incur some tax system modification costs to incorporate the change provided by this bill. Typically, these costs are reflected in several thousand dollars of IT staff time.

REVENUE EXPLANATION

The Dept. of Revenue recalculated 2018 corporate income tax returns that claimed net operating loss deduction under the bill's 100% deduction allowance versus the 72% allowance in current law. The difference of \$75 million reflects the revenue loss for a given tax year. This annual liability loss has to be translated to fiscal year effects recognizing the filing pattern of firms (18% in the immediate fiscal year, 72% by the second fiscal year, and 10% by the third fiscal year). This lagged effect accumulates the revenue loss over three fiscal years such that the revenue loss in FY22 is \$13.5 million, in FY23 \$67.5 million, and in FY24 and beyond \$75 million per year. The bill is first effective for tax year 2021; therefore, the first fiscal year of effect is FY22.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Christopher A. Keaton
Legislative Fiscal Officer