



**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**

Fiscal Note On: **HB 641** HLS 23RS 966  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 8, 2023	7:10 PM	<b>Author:</b> BISHOP
<b>Dept./Agy.:</b> Revenue		<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Eliminates tax preferences		

TAX OR INCREASE GF RV See Note Page 1 of 1  
 Provides for the termination of certain tax exemptions, exclusions, credits, deductions, and other tax incentives

Proposed law eliminates numerous tax preferences across a variety of major state taxes such as severance tax, excise taxes, sales tax, income/franchise taxes and certain incentive programs.

Effective January 1, 2027.

<b>EXPENDITURES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	INCREASE	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	INCREASE	INCREASE	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>			<b>\$0</b>

**EXPENDITURE EXPLANATION**

The Dept of Revenue would incur significant costs modifying various tax systems in preparation for the elimination of the specified tax preferences in the bill. The Department's rough estimate of such costs early in FY 26 is \$626,000.

**REVENUE EXPLANATION**

The Dept of Revenue reviewed the bill and identified tax preference eliminations that could possibly be quantified in the current period, but would then need to be projected forward to the second half of FY 27, when the bill is first effective. This makes even the quantifiable aspects of the bill highly uncertain for budgeting purposes.

The elimination of various severance tax preferences might result in greater tax collections in FY 27 and beyond of \$250 M or more (to the general fund and dedicated funds), depending greatly on oil and gas prices and production. Gains would be offset to some extent by royalty losses for activity on state lands and waterbottoms.

Tax preferences eliminated for various excise taxes (fuels, tobacco, alcohol) largely involve transactions with no reporting requirements, thus, no information upon which to base an estimate, or involve products not subject to tax even with the bill.

State sales tax exemptions are largely repealed, while local exemptions are protected by the bill. The exemption value of sales tax exemptions from the FY2 2 tax exemption budget was projected forward at a 2% annual rate to generate an estimate of some \$1.7 B of potential revenue gain for the half fiscal year of FY 27, and \$3.5 B for the full year of FY 28. Gains would largely be general fund, but also economic development and tourism promotion dedications.

The elimination of deductions and credits against individual income tax, corporate income tax, and corporate franchise tax, could increase state net collections by an estimated \$2.4 B. Certain affected credits are utilized as state maintenance of effort contributions for receipt of certain federal health and education funds. Elimination of these credits could impair those federal funds. Credits that are terminated based on application and/or certification by January 1, 2027, (largely economic development programs) would accumulate revenue gains to the state over two to five year periods as program participants completed participation and no new participation was allowed. Associated LED fees would also be reduced.

The revenue impact of the bill is highly speculative, due to its scope and future effectiveness.

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}

*Alan M. Boxberger*  
 Alan M. Boxberger  
 Interim Legislative Fiscal Officer