

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 629** HLS 15RS 1016
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 6, 2015 7:58 PM	Author: JACKSON
Dept./Agy.: Revenue/Economic Development	Analyst: Deborah Vivien
Subject: Reduces credits and incentives by 20% for all claims 7/1/15	

TAX CREDITS EG +\$223,000,000 GF RV See Note Page 1 of 1
 Reduces income and corporation franchise tax credits

Proposed law reduces certain income and franchise tax credits by 20% beginning with all forms filed on or after July 1, 2015. Proposed law also reduces certain tax incentives by 20% beginning with all claims file on or after July 1, 2015. Major categories of tax credits include the premium tax credit, the inventory credit, the solar credit, net income paid to other states credit, the citizens assessment credit, and the rehabilitation to historical structures credit, among many others. Tax incentives in the bill include the entertainment incentives, including film, brownfields, technology commercialization, green jobs credit and others.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$223,000,000	\$227,000,000	\$232,000,000	\$237,000,000	\$241,000,000	\$1,160,000,000
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$223,000,000	\$227,000,000	\$232,000,000	\$237,000,000	\$241,000,000	\$1,160,000,000

EXPENDITURE EXPLANATION

The Department of Revenue (LDR) will incur costs for computer system modification and testing, tax form redesign, and tax payer inquiries. These costs are typically small for individual tax law changes (likely to be several thousands of dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided. The implementation and timing of provisions in the bill could require substantial resources given the nature of the changes.

REVENUE EXPLANATION

The bill is expected to increase SGF by about \$223M in FY 16 as the numerous income and franchise tax credits as well as tax incentives are cut by 20%, increasing by an estimated 2% over the fiscal note horizon. This estimate uses an expeditious method by taking 20% of the Tax Exemption Budget figures for the the numerous credits and incentives included in the bill. Without a high degree of confidence with regard to actual collections that may occur, this method gives the results below:

	FY16	FY17	FY18	FY19	FY20
Corporate Income Tax	\$113,206,400	\$115,470,528	\$117,779,939	\$120,135,537	\$122,538,248
Individual Income Tax	49,042,400	50,023,248	51,023,713	52,044,187	53,085,071
Franchise Tax	3,827,400	3,903,948	3,982,027	4,061,667	4,142,901
Total Tax Credits	\$166,076,200	\$169,397,724	\$172,785,678	\$176,241,392	\$179,766,220
Tax Incentives	56,953,800	58,092,876	59,254,734	60,439,828	61,648,625
Total Impact	\$223,030,000	\$227,490,600	\$232,040,412	\$236,681,220	\$241,414,845

- Senate Dual Referral Rules House
- 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
- 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
- 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
- 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}
- 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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