

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 24** HLS 161ES 55
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 18, 2016 4:33 PM	Author: JACKSON
Dept./Agy.: Revenue	
Subject: Makes Act 125 of 2015 Regular Session permanent	Analyst: Deborah Vivien

TAX CREDITS OR INCREASE GF RV See Note Page 1 of 1
 Repeals the three-year sunset of certain reductions to income and corporation franchise tax credits (Item #10)

Current law reduced numerous income tax credits and tax incentives applicable to all claims for credits on or after 7/1/15 but before June 30, 2018, regardless of the tax year to which the claim relates. Major categories of tax credits include the citizens assessment credit, education credit, new jobs credit, recycling credit, and milk producers credit, among others. The maximum alternative fuel credit for new vehicles is reduced by 50% to \$1,500. Tax incentives impacted in the bill are the digital media, angel investor, live music and theater productions, sound recording, brownfields, technology commercialization, and others beginning with new applications. Reductions in the ports credits, import/export cargo and green jobs credit are effective with all credits claimed on or after 7/1/15, instead of new applications. However, benefits reduced on returns filed after 7/1/15 pursuant to an extension filed prior to 7/1/15 can be recouped in one-third increments over three subsequent fiscal years, beginning with CY17 (FY 18). The reductions are not applicable to amended returns timely filed after 7/1/15, relating to original returns filed prior to 7/1/15 and properly claiming an exemption, credit, rebate, or deduction.

Proposed law removes the June 30, 2018 expiration, making permanent the expiring changes of Act 125 of 2015 Regular Session.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.		INCREASE	INCREASE	INCREASE	INCREASE	
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

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. This bill reduces the need for the department to change forms when the affected provisions revert back to their original level on June 30, 2018. Just as any costs would have been absorbed in the departmental budget, any resources made available will be directed to other functions of the agency.

REVENUE EXPLANATION

Under this bill, state revenue will increase in FY 18 and beyond as credit reductions adopted in Act 125 of the 2015 Regular Session of the Legislature are made permanent for all returns filed after June 30, 2018, regardless of the tax year. The impacts in FY 18, 19, and 20 will still be subject to the three year recoupments ending in FY 20.

While time constraints preclude the generation of new revenue estimates for the various provisions contained in Act 125, it is certain that making the Act permanent will increase state receipts beginning in FY 18 above what they would otherwise be throughout the remainder of the fiscal note horizon. Estimated net revenue gains associated with Act 125 were in the range of \$30 million to \$35 million per year, and will be retained by this bill once the recoupment provisions have terminated.

Senate Dual Referral Rules House

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| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Gregory V. Albrecht
Gregory V. Albrecht
Chief Economist