

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 140** SLS 15RS 514

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 2, 2015	5:13 PM	Author: ALLAIN
Dept./Agy.: Local Government / Revenue Department		Analyst: Greg Albrecht
Subject: Exempt Inventory From Ad Valorem Tax		

TAX/TAXATION

OR SEE FISC NOTE LF RV

Page 1 of 1

Constitutional amendment to exempt from ad valorem property taxes inventory held by manufacturers, distributors, and retailers if the taxing authority accepts a payment in lieu of the property taxes which would otherwise be due on such

Proposed law exempts inventory from ad valorem if the local taxing authority accepts a payment in lieu of the ad valorem taxes which would otherwise be due on such inventory.

To be submitted to the electors at the statewide election on October 24, 2015. Effective January 1, 2016.

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	<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	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

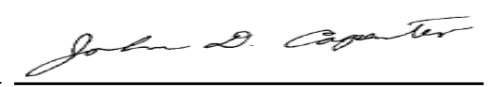
There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Any effect of this bill would be in FY17, as ad valorem taxes are typically paid late in the calendar year. Presumably, local taxing authorities would not accept payments in lieu of tax that were materially lower than what would otherwise be due in tax. Likewise, presumably tax payers would not make payments in lieu of tax that were materially greater than what they would otherwise pay as tax. Thus, the bill may have little impact on local receipts.

It is unclear, though, if net state tax receipts are affected. Ad valorem taxes paid on inventory are 100% reimbursed to taxpayers through a refundable tax credit against their state income and franchise tax liabilities. If a payment is made in lieu of tax, there may be a question as to whether they paid the ad valorem tax and are entitled to the state tax credit. If they are not, then net state tax receipts would increase. If they are still entitled to the state credit, then there is likely no material change to net state receipts.

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|---|----------------------------|--------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input 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} |


John D. Carpenter
Legislative Fiscal Officer