

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 664** HLS 15RS 409
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 20, 2015	4:15 PM	Author: STOKES
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Credit For Ad Valorem Tax Paid on Inventory		

TAX/INCOME-CREDIT EG NO IMPACT GF RV See Note Page 1 of 1
 Defines" inventory" for purposes of the tax credit for ad valorem taxes paid on inventory

Current law grants a refundable credit against state income & franchise tax for 100% of the local ad valorem tax paid on inventory property.

Proposed law provides definitions for inventory. Also allows the Department of Revenue to intervene in proceedings related to the valuation or classification of property as inventory for which a credit will be claimed.

Applicable to all tax years beginning on and after 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

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.

REVENUE EXPLANATION

The bill includes several provisions defining inventory for purposes of the state credit. There have not been definitions of inventory in state law with regard to the tax credit available to reimburse taxpayers for local ad valorem taxes paid on inventory. These provisions attempt to align what inventory is for purposes of the state credit with what inventory is for purposes of ad valorem taxation. The two concepts are not expected to be materially different from each other.

Some additional compliance may be achieved with the authority added by this bill for the Secretary of Revenue to intervene in disputes over the proper classification and valuation of inventory for which a state tax credit will be claimed.

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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