

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 578** HLS 09RS 1014
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 29, 2009	2:13 PM	Author: RICHMOND
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Tax Credits for Hiring Certain Offenders		

TAX/INCOME-INDIV/EXEMPT EG DECREASE GF RV See Note Page 1 of 1

Increases tax credits for employment of certain persons related to the prevention of recidivism by persons released from incarceration

Current law contains various tax credits for hiring first-time drug or nonviolent offenders, and certain felony offenders. Existing credits are \$150 or \$200 per eligible employee, may be one-time credits or two-year credits, and require certain other conditions (minimum work week length etc.).

Proposed law modifies these credits by increasing the credits to \$1,000 - \$2,500 and changing various other provisions relating to the target populations, work week requirements, and other conditions.

Effective for taxable years beginning on and after January 1, 2009.

EXPENDITURES	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>5 -YEAR TOTAL</u>
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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

While any individual tax credit like the one proposed by this bill adds only minor additional administrative costs to the Department of Revenue, passage of some number of additional exemptions will add material additional administrative costs to the Department of Revenue.

REVENUE EXPLANATION

The existing credits have been only minimally used; \$31,500 of credits claimed over the 3-year period FY06 - FY08, with most that (\$27,000) in one year FY06. The Department of Revenue estimates that the three year average of the existing credits translates into approximately \$40,000 - \$45,000 per year of additional tax credit cost under the higher credit amounts provided in this bill.

This estimate is based on existing average utilization of the credits, but their low level of use suggests that businesses are reluctant to hire from the targeted population. While this bill's credits are significantly greater than the ones being modified, it still seems likely that business may still be reluctant to hire from this population. Thus, additional tax credit exposure and realizations resulting from this bill are likely to be relatively small; less than \$50,000 per year assuming current utilization levels and probably less than \$100,000 per year with some enhanced utilization.

Senate

Dual Referral Rules

House

13.5.1 >= \$500,000 Annual Fiscal Cost

6.8(F) >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

H. Gordon Monk

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Legislative Fiscal Officer