	LEGISLATIVE FISC Fiscal Not								
EDU Naria		Fiscal Note On:	SB	179	SLS	17RS	391		
: Legillative	Bill Text Version: ORIGINAL								
Fiscale	Opp. Chamb. Action:								
		Proposed Amd.:							
intsoillen notes		Sub. Bill For.:							
Date: April 9, 2017	5:48 PM	Author: MORRELL							
Dept./Agy.: Revenue									
Subject: Tax Credit for Ad Va	Analyst: Greg Albrecht								

TAX/TAXATION

OR +\$52,700,000 GF RV See Note

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Terminates the tax credit for vessels in Outer Continental Shelf Lands Act Waters. (gov sig)

Current law provides a refundable tax credit against income and corporate franchise tax for local ad valorem taxes paid on vessels used in outer continental shelf waters.

Proposed law provides that no such credit will be available for ad valorem taxes paid on or after January 1, 2018.

Effective upon governor's signature.

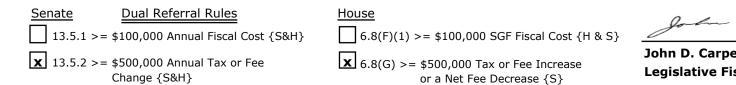
EXPENDITURES	2017-18	<u>2018-19</u>	2019-20	2020-21	2021-22	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	<u>2017-18</u>	<u>2018-19</u>	2019-20	<u>2020-21</u>	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$42,400,000	\$48,700,000	\$52,700,000	\$52,700,000	\$196,500,000
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$42,400,000	\$48,700,000	\$52,700,000	\$52,700,000	\$196,500,000

EXPENDITURE EXPLANATION

The Department of Revenue will incur minor reprogramming costs to incorporate the change in this credit. Additional resources may be required by the department dependent upon the cumulative amount of changes enacted in the session.

REVENUE EXPLANATION

The Revenue Dept. Tax Exemption Budget reports that the average amount of credit taken for these vessels was \$52.7 million over the last three year (FY14 - FY16) on individual and corporate income tax returns and franchise tax returns. Credit totals reported by fiscal year include a number of tax years. Any given fiscal year of credits will contain roughly 80% from the immediately preceding tax year, 12% from two tax year preceding, and 8% from the third tax year back (even earlier tax years can be exhibited in small shares). Applying these shares to the average fiscal year effect, approximately \$42.4 million of credit will be denied for ad valorem tax paid in 2018 to be claimed in late FY19. That amount again will be denied for taxes paid in 2019 plus the 12% share or \$6.3 million from 2018 taxes paid, for a total of \$48.7 million in FY20. Both of those amounts again will be denied for taxes paid in 2020 and 2019, plus the trailing 8% share or \$4.2 million for tax paid in 2018, for a total of \$52.7 million in FY21. By that fiscal year, under this estimating model, state net revenue gains would stabilize in the \$52.7 million range each year.



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John D. Carpenter **Legislative Fiscal Officer**