LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 181** SLS 17RS 393
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 30, 2017 4:43 PM
Author: MORRELL
Dept./Agy.: Revenue
Subject: Modifies and Terminates Various Tax Credits
Analyst: Greg Albrecht

TAX/TAXATION OR +$1,600,000 GF RV See Note
Terminates certain tax credit programs. (gov sig)

The bill prohibits certain tax credits from being earned after June 30, 2017. It also reduces the inventory, stored natural gas, and offshore vessels tax credits to 75% of the ad valorem taxes paid on these properties on or after January 1, 2017. Reduces the the tax credit available to certain telephone companies to 30% of the ad valorem taxes paid on these properties on or after January 1, 2017. Caps the final approval by the Revenue Department of the amount of historic redevelopment tax credit to $65 million for property placed in service on or after January 1, 2017. Repeals certain expired tax credits.

Effective upon governor's signature.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	$1,600,000	$42,000,000	$51,000,000	$58,000,000	$64,000,000	**$216,600,000**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$257,000	$2,300,000	$2,400,000	$2,500,000	$2,500,000	**$9,957,000**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$1,857,000**	**$44,300,000**	**$53,400,000**	**$60,500,000**	**$66,500,000**	**$226,557,000**

EXPENDITURE EXPLANATION

The Dept. of Revenue will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time ($51,000 in this case). Eventually, fewer credits would have to be accounted for in tax filings, reducing tax administration costs. An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the Dept.

REVENUE EXPLANATION

The Dept. of Revenue examined each credit affected by the bill to establish a likely revenue effect resulting from each credits particular modification or termination, based on historical claims of the credits and filing patterns of tax returns. However, the value of credits and the pattern of their claims have been distorted by legislation enacted in the 2015 and 2016 session. Where possible, those legislative actions were attempted to be accounted for, but not all such actions could be accounted for. The resulting increases in net revenue collections from modifying or terminating credits are highly uncertain.

Revenue effects would likely first occur in FY18, based on the inventory, stored natural gas, and offshore vessel tax credit changes affecting the associated ad valorem tax payments made in calendar year 2017. Other credit effects are assumed to occur at first in the 2018 tax year and show up initially against state revenues in FY19. A roughly three-year transition to almost all returns reflecting the modifications and terminations of these credits results in the step-up in net revenue gains. Approximately 60% - 65% of the total estimated net receipt gains are associated with the changes to the inventory, stored natural gas, and offshore vessel ad valorem tax credits.

Any carry-forward provisions are assumed to remain in effect for credits received prior to the termination date of the bill. Credits based on a contract and/or application are not included in the total above due to the relatively long lag time it takes after entering those programs and the receipts and realization of the associated credits. These credits amounted to $65 million in FY16.

The estimated effect on the Telephone Company Property Tax Credit is depicted as a gain to statutory dedication revenue because the bill terminates the credit but not the dedication. Based on the timing associated with that credit, the fund is likely to gain revenue initially in FY18.

Senate — Dual Referral Rules

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

House

- [ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
- [x] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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