

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 172** SLS 17RS 378  
 Bill Text Version: **REENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 24, 2017 2:51 PM	<b>Author:</b> MORRELL
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Terminates Various Tax Credits	

TAX/TAXATION RE +\$28,000,000 GF RV See Note Page 1 of 1  
 Terminates certain tax credits as of January 1, 2019. (8/1/17)

The bill terminates certain tax credits with staggered starting dates on January 1, 2020 and January 1, 2022. Effective August 1, 2017.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0		\$28,000,000	\$254,000,000	<b>\$282,000,000</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$23,000,000	\$23,000,000	<b>\$46,000,000</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$51,000,000</b>	<b>\$277,000,000</b>	<b>\$328,000,000</b>

**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**

Each credit affected by the bill was examined to establish a likely revenue effect resulting from each credits particular termination, based on historical claims of the credits. 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; albeit, as approximation. The resulting increases in net revenue collections from terminating credits are highly uncertain.

Various credits are terminated in tax year 2020, and others in 2022. The overall effect of the bill may be an increase of \$27 million in FY21, then stepping up to \$34 million in the FY22, as the credits terminated in 2020 are mostly realized in the two years following. Then the credits that terminate in 2022 begin being realized in FY23 with a \$290 million revenue gain, stepping up to \$354 million in FY24 (along with the credits terminated in 2020). The staggered nature of the terminations complicates the fiscal assessment and makes the estimated effects of the bill even more uncertain. Actual effects in particular fiscal years are likely to be different from those estimated here.

Any carry-forward provisions are assumed to remain in effect for credits received prior to the termination date of the bill.

Senate Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

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

*John D. Carpenter*  
**John D. Carpenter**  
**Legislative Fiscal Officer**