

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 11** SLS 182ES 34

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.: **REVISED**

Date: May 30, 2018	3:55 PM	Author: MORRELL
Dept./Agy.:		Analyst: Greg Albrecht
Subject: Limits Annual Costs of Various Tax Credits and Rebates		

TAX/TAXATION EG +\$588,000 GF EX See Note Page 1 of 1
 Limits annual expenditures on certain tax credit and rebate programs and terminates the programs in 2025. (Item #21)
 (gov sig)

The bill amends numerous tax credits and rebates by establishing annual maximum aggregate claim amounts for many of the affected programs, as of July 1, 2019. In addition, most of the programs are terminated as of tax year 2026, with a few small or infrequently utilized programs terminated after July 1, 2018. Effective for all claims for rebates and credits filed with the Department of Revenue on or after July 1, 2018, regardless of the taxable year to which the claim relates. Claims are subject to a first-come, first-served basis, with excess claims in one year transferred to first-in-line against the following year's cap. Effective upon governor's signature.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$588,000	\$833,000	\$798,000	\$813,000	\$830,000	\$3,862,000
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$588,000	\$833,000	\$798,000	\$813,000	\$830,000	\$3,862,000

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
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						

EXPENDITURE EXPLANATION

The Department of Revenue has administered limitations on aggregate credit claims for the film credit program and the solar installation program. However, this bill will require such administration on numerous additional credits and rebates. Additional administrative costs will be likely. The Dept. of Revenue currently estimates full-year costs of roughly \$800,000 and 10 additional personnel to implement the caps required by the bill. First year information technology costs for system design, development, and testing are estimated at \$205,000, with an additional \$50,000 in the second year. Given the July 1, 2019 start for the program caps, the Dept. indicates it would need about half the personnel hired and trained during FY19, but could delay half of the personnel additions until FY20. Personnel additions and costs are due to the considerable amount of manual effort required to review each return claiming these credits. Examples of complexity noted by the Dept. include the Citizens Assessment Credit claimed on over 373,000 returns, and the Enterprise Zone program with multiple components subject to its \$60 million cap (jobs credit on income tax returns - both individual and corporate, an investment tax rebate on a stand-alone form submittal, and a sales tax refund separately submitted. The number and cost of additional personnel required will ultimately depend on the complexity of each affected credit and rebate, and the number of interactions with taxpayers and returns required.

REVENUE EXPLANATION

While the bill establishes specific annual maximum aggregate claim amounts for most of the various affected tax credits and rebates, the maximums appear to be essentially the amounts most recently realized by these programs or greater amounts allowing for some growth or annual variation. These programs can be volatile, exhibiting cost surges and sharp fall-offs from year to year, and in a number of cases no activity has been reported for several years. Thus, the bill does not assure any immediate or definite cost reduction to the state for budgeting purposes but, over time may constrain certain programs to their recent experience or growth. Any specific estimate of revenue effect for any particular years would be speculative.

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}

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Legislative Fiscal Officer