

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 230** SLS 19RS 420

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 28, 2019	7:21 PM	Author: CLAITOR
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Tax Credits For Aquifer and Potable Water Use Reduction		

TAX/TAXATION OR DECREASE GF RV See Note Page 1 of 1
Provides tax credits for manufacturers to reduce the use of water from aquifers and other potable water sources. (gov sig)

Proposed law provides nonrefundable corporate income and franchise tax credits with a five year carry-forward for certain equipment installed by manufacturers to reduce potable water use or to filter, disinfect, or treat non-potable surface water for use in the manufacturing process. Applicable to purchases of qualifying equipment on or after January 1, 2020, and can be claimed for the tax year in which the equipment is placed in service. The amount of credit that can be claimed for all tax years with respect to any manufacturing facility is \$10 million. The program is administered by the Dept. of Environmental Quality.

Effective upon governor's signature.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$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>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

The Dept. of Revenue estimates the implementation of this proposal will result in approximately \$25,680 in additional expenditures for computer system development and modification, tax form redesign, and testing. As of this writing the Dept. of Environmental Quality has not submitted information regarding this bill.

REVENUE EXPLANATION

Eligible equipment purchases/installations in any year is speculative. While, the bill limits the state's exposure to any one manufacturing facility to \$10 million, the aggregate revenue loss exposure to the state is open-ended. Given the likely complexity of developing such a program, installing equipment, and DEQ certification of installations, the earliest fiscal year of potential revenue losses may be FY21, but more likely FY22. Credit claims and state revenue losses would likely start relatively small and ramp-up over following periods as manufacturers learned of and took advantage of the availability of the credit. The credit is permanent and eventually a norm of claims may be achieved at some million of dollars per year, although the credit is associated with particular capital expenditures which can likely exhibit erratic levels from year to year.

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
Legislative Fiscal Officer