

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 121** SLS 19RS 350
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 29, 2019 6:00 PM	Author: LUNEAU
Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Premium Tax Credits For Investments in Rural Growth Funds	

TAX/TAXATION OR -\$112,500,000 GF RV See Note Page 1 of 1
 Provides premium tax credits for certain investments made in rural growth funds. (gov sig)

Proposed law provides \$112.5 million of transferable premium tax credits for investments made into rural growth funds, certified by the Dept. of Economic Development (75% of \$150 million of capital allowed into the program). The capital/credit allocation to funds will be made beginning October 1, 2019. Tax credits can be claimed against premium tax liabilities evenly over five years. First credit claims can occur in FY22 and last through FY26 (the third year after funds have collected capital through the seventh year after collection capital). Tax credits are transferable to affiliates with premium tax liabilities.

Effective upon governor's signature.

EXPENDITURES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$52,500	\$52,500	\$52,500	\$52,500	\$52,500	\$262,500
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	\$52,500	\$52,500	\$52,500	\$52,500	\$52,500	\$262,500
REVENUES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	(\$22,500,000)	(\$22,500,000)	(\$45,000,000)
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>	\$0
Annual Total	\$0	\$0	\$0	(\$22,500,000)	(\$22,500,000)	(\$45,000,000)

EXPENDITURE EXPLANATION

The bill makes the Dept. of Economic Development the program administrator. The Dept. indicates the likely need of a position to oversee the application process, credit issuance, and monitoring of the program's various requirements. Salary plus benefits for that position re estimated at \$52,500 per year.

REVENUE EXPLANATION

The bill allows the issuance of \$112.5 million of tax credits after October 1, 2019, and provides that these credits can first be claimed against premium tax liabilities for taxable years in the third anniversary of when the growth funds collect capital. For capital collected in 2019, premium tax liabilities for 2022, filed in FY23, are first affected. The amount of tax credit that can be taken each year is 1/5 of the available credit, or \$22.5 million. Total state revenue losses are \$112.5 million spread over five years (FY23 - FY27).

Annual realization of credit is limited to the premium tax liability of the holder of the credits. However, a ten year carry-forward period is allowed for unused credits, and the credits are transferable to other affiliated taxpayers with premium tax liabilities. Thus, it is likely that annual realizations will closely approximate the annual exposures in the table and discussion above.

The bill resembles the New Markets Tax Credit program, which in various versions in past years has been fully subscribed. Thus, it is assumed that the program and credits made available by this bill will be fully subscribed, as well.

Note: When the bill's credits are expected to be realized against premium tax liabilities, collections are projected to be approximately \$1 billion. However, nearly half of these receipts (at least \$480 million) are projected to come from medicaid premiums and are dedicated to the Medicaid Assistance Trust Fund (MATF), providing state match in support of the medicaid program. To the extent insurers paying premium tax on medicaid premiums participate in this bill's credit program, premium tax receipts available to the MATF will be reduced and general fund or other resources will have to be found to support the medicaid program.

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