

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 173** HLS 21RS 128

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 25, 2021	1:48 PM	Author: ECHOLS
Dept./Agy.: Economic Development / Revenue		Analyst: Greg Albrecht
Subject: Tax Credit for Broker -Dealer Financial Firms		

TAX/INCOME-INDIV/EXEMPT

OR DECREASE GF RV See Note

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Establishes a corporate income tax credit for certain broker-dealer financial businesses

Proposed law provides a tax credit of 50% of corporate income tax liability for broker-dealer financial firms that establish for the first time or relocate a home office or headquarters in a downtown development or cultural district. Participating firms must meet certain requirements to receive a five-year contract with the Department of Economic Development granting the credits.

Applicable to contracts entered into on or after January 1, 2022, and applicable for tax years beginning on or after January 1, 2022.

No credits shall be granted and no new contracts entered on or after January 1, 2032.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	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	2021-22	2022-23	2023-24	2024-25	2025-26	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 Economic Development indicates that system modification requirements would be minimal, but that the Dept. would need a part-time program administrator to set up and run a new program. Actual administrative costs would depend on program participation levels.

The Department of Revenue indicates that the costs to modify and test tax systems to incorporate additional tax credits is approximately \$26,000 of staff time.

REVENUE EXPLANATION

The bill appears to provide a ten-year program for granting 50% tax credits against corporate income tax liabilities for five-year periods for each participating broker-dealer firm. The program appears to be available to existing firms in the state that meet the qualifications in the bill, who newly establish or relocate into downtown development or cultural districts in the state. To date, the existence of such firms is unknown. It is also unclear if the credit is intended to be refundable or nonrefundable. The bill only specifies that the credit shall be applied against the taxpayers liability for the subsequent tax year.

Although annual revenue losses are indeterminable, the bill can only work to reduce tax liabilities from what they would otherwise be.

Senate
 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}

Christopher A. Keaton
Legislative Fiscal Officer