



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **SB 99** SLS 11RS 352  
Bill Text Version: **ENROLLED**  
Opp. Chamb. Action:  
Proposed Amd.:  
Sub. Bill For.:

<b>Date:</b> June 20, 2011 9:53 AM	<b>Author:</b> MORRELL
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> New Markets Tax Credit Program	

TAX/TAXATION EN -\$30,000,000 GF RV See Note Page 1 of 1  
Authorizes the issuance of \$37.5 million more New Market Tax Credits and extends the period tax credits are allowed from ending on December 31, 2013 to an indefinite period if the qualified equity investment is issued prior to December 31, 2014. Current law provides state income and franchise tax credits for investments in Community Development Entities (CDEs) organized to participate in the federal New Markets Tax Credit Program. Tax credits are 25% of the investment in a CDE that are used to make subsequent investments in qualified businesses in the state. Credits are nonrefundable but transferable. In the last two revisions of the program, a total of \$100 million of tax credits have been issued.

Proposed law provides another \$30 million of aggregate tax credit over the life of the program, but restricts the amounts of that additional aggregate credit that can be issued in each of two years: \$15 is available on September 1, 2011, and \$15 million is available on September 1, 2012, as well as the amount of credit that can claimed in each year. Credits issued on September 1, 2011 can begin being claimed on returns due in 2015 (FY15), and credits issued on September 1, 2012 can begin being claimed on returns due in 2016 (FY16). Each credit issuance can be claimed evenly over three years.

EXPENDITURES	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
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><u>\$0</u></b>
Annual Total	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

REVENUES	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	(\$5,000,000)	(\$10,000,000)	<b>(\$15,000,000)</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><u>\$0</u></b>
Annual Total	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$5,000,000)</b>	<b>(\$10,000,000)</b>	<b>(\$15,000,000)</b>

EXPENDITURE EXPLANATION

In the past the Department of Revenue has devoted a full-time position to administer this program. It seems unlikely that the changes made by this bill would require additional resources. However, with this bill there will effectively be four programs being administered simultaneously, with four different sets of program parameters, at least with respect to the program’s tax credits.

REVENUE EXPLANATION

Total tax credits generated under the pre-2007 program were \$24.4 million over a 9 year period. In two revisions of the program since then, two additional \$50 million allocations of tax credits were fully subscribed. It seems likely that the additional \$30 million of tax credits made available by this bill will be fully subscribed, as well. The bill limits the amount of this additional tax credit allocation that can issued in two periods: \$15 million on September 1, 2011, and \$15 million on September 1, 2012, and provides that each of these two issuances can first be claimed on tax returns due in 2015 (the 2011 \$15 million allocation) and in 2016 (the 2012 \$15 million allocation), respectively. Thus, state revenue loss exposure starts in FY15 with \$5 million (first 1/3 of the first \$15 million credit allocation), then increases to \$10 million in FY16 (second 1/3 of first \$15 million allocation and first 1/3 of the second \$15 million allocation). Revenue losses continue in FY17 at \$10 million, then decline to \$5 million in FY18. Total state revenue losses amount to \$30 million over a four year period.

However, while data limitations do not allow for analysis that ties specific credit amounts issued to specific credit amounts realized, the credits issued under this program have exhibited a lag in actually being realized against liabilities. With \$100 million of credits issued since the program was substantially modified after 2007, actual realizations against tax liabilities have totaled \$51.2 million in FY08 - FY11 to date (\$816,000 FY08, \$6.8 million FY09, \$16.1 million FY10, and \$27.5 million FY11 to date). Thus, the table above depicts maximum loss exposure in FY15 and FY16. Actual revenue losses resulting from the bill may be less in each of those years and in FY17 and FY18, extending into FY19 and beyond.

Senate	Dual Referral Rules	House	
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	 H. Gordon Monk Legislative Fiscal Officer
		<input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	