



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **HB 614** HLS 11RS 1282

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> June 28, 2011	10:40 AM	<b>Author:</b> RICHARD
<b>Dept./Agy.:</b> Revenue		
<b>Subject:</b> Tax Credit for Missed Inventory Ad Valorem Tax Credit		<b>Analyst:</b> Greg Albrecht

TAX CREDITS

EN DECREASE GF RV See Note

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Provides relative to the tax credit for overpayments made by certain taxpayers under the Inventory Tax Credit

Current law has provided a refundable tax credit against state income and franchise taxes for local property taxes paid on inventory since 1992. Act 357 of 2007 provided a refundable tax credit against income and corporate franchise taxes to taxpayers (with gross receipts from business of \$500,000 or less) who failed to claim the inventory tax credit available to them for income tax years 1999 - 2002 and franchise tax years 2000 - 2003. The credits not previously claimed for these tax years may be claimed on amended returns until December 31, 2007. The credit is limited to \$10,000 per taxpayer, with a \$500,000 total tax credit limit.

Proposed law eliminates the various qualifying conditions for recouping missed inventory tax credits required by Act 357, and replaces them with a general refundable credit to recoup any missed inventory tax credit for tax years 1999 through 2003. No interest is to paid by the state, and all such claims must be filed no later than December 31, 2011.

EXPENDITURES	2011-12	2012-13	2013-14	2014-15	2015-16	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	\$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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. So long as only one taxpayer is involved (or a small number of taxpayers) the Department of Revenue is likely to require the applicants for this refund to submit the appropriate documentation evidencing entitlement to the refund, and is not likely to incur significant administrative costs.

REVENUE EXPLANATION

Testimony in Senate committee regarding Act 357 in 2007 indicated that the recoupment provisions in current law were proposed on behalf of one taxpayer that, through a tax preparer, failed to claim the inventory credit, available during the enumerated prescribed years. The Department of Revenue indicated that the particular taxpayer’s inventory tax credit involved was between \$25,000 and \$35,000 per year for the years enumerated. Apparently, the qualifying conditions contained in Act 357 prevented the taxpayer from recouping these monies, or the limitations to recoupment were unsatisfactory. Regardless, those provisions expired December 31, 2007. This bill removes those provisions entirely, and explicitly allows recoupment of such monies, for tax years 1999 - 2003, through a refundable tax credit but without interest.

The inventory credit has actually been available since the early 1990s, so it is unlikely that there are a large number of taxpayers who were unaware of the credit and, other than this single case, the Department is unaware of any other similar situations. However, the bill essentially removes prescription for taxpayers who may discover a similar situation, at least for tax years 1999 - 2003. Thus, some additional unknown exposure is possible.

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}	
		<input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	
<input 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}	<b>H. Gordon Monk</b> <b>Legislative Fiscal Officer</b>