



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 666** HLS 16RS 1075
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: March 21, 2016 11:03 AM	Author: SCHRODER
Dept./Agy.: Revenue and Various Others	
Subject: Tax Expenditure Appropriation	Analyst: Greg Albrecht

TAX EXEMPTIONS OR SEE FISC NOTE Page 1 of 1
Requires the appropriation of certain tax expenditures

Requires tax expenditure programs to be contained in the executive budget and general appropriations bill (within the agency granting or administering the program). The total amount of each tax expenditure granted by the Department of Revenue shall not exceed its appropriation. The administering department shall establish the methods of allocating available appropriations (first-come first-served, reservations, or other methods). Tax expenditure program shall mean each tax credit and each rebate authorized by law.

The bill provides no effective date or fiscal year, or appropriation date. Presumably, the earliest it could be implemented would be for FY18.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$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

EXPENDITURE EXPLANATION

While tax credits and rebates are charged against specific tax types and are reflected in net revenue collections, development and implementation of processes to constrain and allocate all credits and rebates within appropriated levels will involve general administrative expenses. Those expenses may be substantial given the numerous credits and rebates affected by the bill. Costs are speculative at the outset of consideration of the change in processes proposed by this bill. The earliest implementation could occur seems to be FY18, but expenses in FY17 would likely be necessary in preparation for that start.

REVENUE EXPLANATION

The bill affects numerous credits and rebates involving a number of different departments. With some duplication across tax types, there are about 40 nonrefundable credits and 23 refundable credits on the corporate income and franchise tax return, and 51 and 30, respectively on the personal income tax return. There are also sales tax rebates and other rebate methods that do not have to be claimed on tax returns. While ultimately the claim and receipt of these programs’ benefits occurs through the Department of Revenue, a number of other agencies are involved in administering and granting these benefits, including the Departments of Revenue, Economic Development, Culture & Tourism, Labor, Education and possibly others. Presumably, some coordination between these agencies will be required to implement the bill, and this will likely take some time, effort, and expense.

Currently, the Department of Revenue is charged with limiting the realization of film and solar credits to maximum dollar amounts per year, and may be able to extend that process to all other credits and rebates. This will essentially require stopping and alternatively processing every tax return with a credit/rebate claim in order to constrain the total of claims for each to the appropriated amount for each and allocate the available appropriations to the claimants for each program each year.

Whether net revenue collections are affected by the bill depends on the amount of claims relative to specific appropriation levels. Presumably, the processes developed and implemented will encompass the over(under)-subscription of annual claims relative to annual appropriations, the allocation of those discrepancies, as well as changes in appropriation within the fiscal year. While specifically appropriated, presumably credits/rebates would still be paid out of current collections but only up to the appropriation amount for each.

The bill intends to appropriate each credit/rebate program. Since appropriations can not exceed the official REC revenue forecasts, modifications of the reporting, tracking, and forecasting processes of the Department of Revenue, the Division of Administration, and the Legislative Fiscal Office will have to be made in order to incorporate forecasts of each credit/rebate into the REC process. Since each credit/rebate has unique characteristics, the degree of rigorousness desired will dictate the amount of current resource diversion or additional resources needed to implement the bill.

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) >= \$100,000 SGF Fiscal 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}		

John D. Carpenter
Legislative Fiscal Officer