

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 737** HLS 16RS 1211
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 7, 2016 8:53 AM	Author: ABRAMSON
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Moves the deadline for annual report up one month	

REVENUE DEPARTMENT EN NO IMPACT SG RV See Note Page 1 of 1
 Changes the deadline for the submission of annual reports to the Department of Revenue regarding deductions and withholdings of employee wages

Current law requires an employer to file an annual report of deductions and withholdings from wage payments to reconcile quarterly filings along with requisite receipts. The deadline for filing is the first business day after February 27 of each year for wages related to the previous year. Current law per Act 425 of 2015 Regular Session also requires withholding on all payments to individuals if the expense is eligible for a motion picture investor tax credit.

Proposed law changes the deadline for filing the annual report to on or before January 31 of each year. The bill also stipulates that withholding requirements for the motion picture investor tax credit follow state and federal law and exclude any amount not otherwise subject to state and federal withholding requirements.

The bill applies to all taxable years beginning on or after January 1, 2016. Withholding provisions for the motion picture investor tax credit applies to expenses occurring after 1/1/16.

EXPENDITURES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
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	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
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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

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

For the annual report deadline change, there is no anticipated direct material effect on governmental revenues as a result of this measure as tax liabilities and the timing of their receipt across fiscal years are not changed. According to the Department of Revenue, the filing deadline change proposed by the bill keeps the due dates at the state level consistent with changes in due dates at the federal level.

Changes to the motion picture investor tax credit withholding provisions allow non-taxable payments to individuals such as health insurance, retirement etc., to not be subject to withholding and subsequent refund upon filing. Non-taxable items may now be excluded from withholding. Any impact expected from refunds upon filing under current law will instead be spread over lower withholdings for the remainder of 2016 and in subsequent tax years.

With tax year 2016 nearly half over, it is assumed that remittances to date may include a certain amount of withholdings related to non-taxable items that presumably will be refunded upon tax filing in the spring of 2017 (during FY 17). The remainder of the year may result in lower withholdings presumably offset by smaller refunds upon filing. Since the bill is effective from 1/1/16, should a film company opt to deduct withholdings on non-taxable items remitted during the first half of the tax year from remittances in the second half of the tax year, state general fund revenue may decline temporarily. However, on a fiscal year basis after refunds, the impact is expected to be virtually revenue neutral as timing of payments within the fiscal year is the most significant impact; there is no change in ultimate tax liability.

As of May 19, 2016, the Department of Revenue appears to interpret current law in a manner similar to the provisions of this legislation as evidenced by the Revenue Information Bulletin 16-006, which would further mitigate any fiscal impact.

Any impact within fiscal years is expected to be minimal.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <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} | |

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