

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 758** HLS 15RS 1081

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 5, 2015	6:45 PM	Author: MORRIS, JAY
Dept./Agy.:		Analyst: Travis McIlwain
Subject: Tax Expenditure Reporting		

TAX EXEMPTIONS

EG SEE FISC NOTE GF RV See Note

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Provides for tax expenditure reporting and for tax expenditures to be appropriated

Proposed bill requires each department that grants or administers a tax exemption program to report monthly to the REC, Legislative Fiscal Office and the Division of Administration (DOA) on each tax credit and rebate program. Proposed bill requires the executive budget and the General Appropriation Bill to have an appropriation for each tax expenditure program in the same section of law as the department that grants or administers the program. Proposed bill limits the amount of each tax credit or rebate to the amount appropriated in the General Appropriation Bill for each fiscal year. Proposed bill requires the department administering the provisions of a tax credit or rebate to establish the method of allocating appropriated tax credits or rebates.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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>	<u>\$0</u>
Annual Total						

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

The proposed legislation will result in costs to the affected departments (Revenue, Economic Development, CRT etc) primarily due to staff time to develop monitoring, estimating and monthly reporting procedures that are required within the proposed legislation. The format of such reports will be a collaborative process among the REC, Legislative Fiscal Office, impacted departments, and the Division of Administration (DOA), all of whom will also bear additional administrative costs. In addition, administering agencies will have to maintain a process of allocating the appropriated amount of tax expenditures to the program participants claiming the credits and rebates.

REVENUE EXPLANATION

This bill intends to limit the amount of state fiscal cost associated with tax credit and rebate programs to the amounts appropriated for them. In addition, this legislation requires the departments that administer these credit/rebate programs to develop administrative rules to limit the use of them to not exceed the amount of the credits appropriated in HB 1. Ideas suggested in the legislation are first-come, first-served basis, reservation or time specific time period limitations. The specific method utilized by the department to limit credit usage will not be determined until administrative rules are developed and promulgated.

Currently, tax credit and rebate expenditures are unappropriated and largely open-ended costs realized against the state fisc as foregone gross tax collections; then all other expenditures are budgeted on the basis of net tax collections. This bill requires these credit and rebate expenditures to be appropriated in the appropriations bill as a separate state program within the state agency currently administering credit/rebate. The ultimate effect of the bill on the state fisc depends on the level of appropriations for these programs relative to what their unappropriated level of costs would be.

For context, based upon the latest Tax Exemption Budget the total value of exemptions in FY 14 total state tax exemptions equated to \$7.7 billion, although a material portion of this amount is associated with Constitutional exemptions.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {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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