

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3934-02
Bill No.: SB 852
Subject: Banks and Financial Institutions; Business and Commerce; Savings and Loan;
 Taxation and Revenue.
Type: Original
Date: February 1, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue Fund	\$0 TO (UNKNOWN)	\$0 TO (UNKNOWN)	\$0 TO (UNKNOWN)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance** assume the proposal would not fiscally impact their agency.

Officials from the **Department of Revenue (DOR)** state this legislation creates a tax credit for shareholders of S corporation savings and loan associations with a carry-forward provision of five years. DOR assumes the proposal would reduce the amount of tax due, therefore, reducing the amount of state revenues.

DOR assumes this legislation expands an existing credit to individuals who are shareholders of the S corporation. Personal Tax would need 1 Tax Processing Technician for every 4,000 credits claimed, since there are carry-forward provisions and this credit is administered by DOR. Since DOR does not expect to receive 4,000 returns of this nature, the credit will be processed using existing resources.

Officials from the **Department of Economic Development (DED)** state the bill should have no fiscal or administrative impact on their agency. It creates a tax credit for shareholders of S corp savings and loan associations. It is an income tax credit and has no impact on DED.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning** did not respond to our request for fiscal impact.

The Bank Tax Credit for S Corporation Shareholders has had tax credits redeemed of \$1.1 million in FY 2003, \$1.2 million in FY 2004 and \$941,460 in FY 2005. Oversight assumes this proposal will increase the amount of tax credits utilized in a given year, but can not estimate an amount. Therefore **Oversight** will state that the proposal will potentially result in a loss to the General Revenue fund of an unknown amount.

This proposal will reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Loss</u> - for tax credits for S corporations that are associations	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 TO (UNKNOWN)</u>	<u>\$0 TO (UNKNOWN)</u>	<u>\$0 TO (UNKNOWN)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that qualify for this tax credit could be fiscally impacted by this proposal.

DESCRIPTION

This proposal provides for an income tax credit for shareholders of S corporation savings and loan associations and holding companies based on the pro rata share of corporate franchise tax paid by such association.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Economic Development
Department of Insurance

NOT RESPONDING: Office of Administration - Budget and Planning



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Director
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