

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0794-02
Bill No.: Truly Agreed To and Finally Passed SB 194
Subject: Economic Development; Tax Credits
Type: Original
Date: May 5, 2015

Bill Summary: This proposal extends the date that a business must commence operations to qualify for a business facility tax credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
General Revenue	\$0	\$0	\$0	(Could exceed \$5,291,242)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	(Could exceed \$5,291,242)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
Total Estimated Net Effect on FTE	FTE	FTE	FTE	FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning** assume this proposal would extend the Business Facility tax credit from 2020 until 2025 for headquarters projects. Since FY 2012, the average annual issuance of the Business Facility tax credit has been \$5,702,680, and the average annual redemption has been \$5,352,732.

Officials at the **Department of Economic Development (DED)** assume this proposal extends the business facilities tax credit program. Under this proposal if a business commences their 10 years of benefits by 2025 they will be eligible for ten years of incentives.

The average amount of incentives given in the past three years is \$5,702,680. Therefore, DED assumes the program will remain at the current redemption levels.

DED assumes a negative impact of \$5,702,680 offset by any positive impact as a result of this proposal.

Officials at the **Department of Revenue** assume no fiscal impact from this proposal.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Business Facility tax credit program had the following activity:

	FY 2012	FY 2013	FY 2014
Amount Authorized	\$4,840,502	\$5,704,373	\$6,563,164
Amount Issued	\$4,840,502	\$5,704,373	\$6,563,164
Amount Redeemed	\$4,867,041	\$4,572,711	\$6,618,443

Oversight does not know what portion of the annual issuances have been for Headquarters. The program for Businesses that are not headquarters sunset in 2005. Therefore, the ten year window for their benefits should expire in 2015.

Oversight assumes this proposal extends the Business Facility tax credit from 2020 until 2025. Oversight will show the fiscal impact beginning in year 2021 as could exceed the average amount issued over the past five years (\$5,291,242).

Oversight assumes the extension of this program could result in positive economic benefit to the state. However, Oversight assumes this to be an indirect impact of the bill and will not reflect it in the note.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2021)
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GENERAL REVENUE

<u>Revenue Reduction - extending the New & Expanding Business Facility tax credit from 2020 to 2025 regarding business headquarters commencing operations.</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	(Could exceed <u>\$5,291,242</u>)
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	(Could exceed <u>\$5,291,242</u>)
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<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2021)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses may benefit from some of the provisions in this proposal.

FISCAL DESCRIPTION

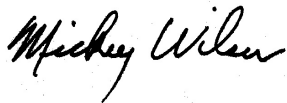
Currently, certain employee owned businesses may qualify for a tax credit for building a new facility or expanding an existing facility. These business must commence or expand operations by January 1, 2020 to qualify for the tax credit. This act extends the date by which they must commence or expand operations by to January 1, 2025.

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

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SOURCES OF INFORMATION

Office of Administration's Division of Budget and Planning
Department of Economic Development
Department of Revenue



Mickey Wilson, CPA
Director
May 5, 2015

Ross Strobe
Assistant Director
May 5, 2015