

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2335-01
Bill No.: SB 454
Subject: Tax Credits
Type: Original
Date: March 25, 2019

Bill Summary: This proposal extends the expiration date on certain tax credits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0	(\$0 to \$6,600,000)	(\$0 to \$6,600,000)
Total Estimated Net Effect on General Revenue	\$0	(\$0 to \$6,600,000)	(\$0 to \$6,600,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$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 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on FTE	0	0	0

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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal has no direct impact on B&P, no impact on General or Total State Revenue nor will it impact the calculation under Article X, Section 18(e).

Officials at the **Department of Economic Development, Department of Revenue and the State Tax Commission** each assume there is no fiscal impact from this proposal.

Oversight notes this proposal extends the expiration date of the Wood Energy Tax Credit (§135.305) from June 30, 2020 to June 30, 2026. Oversight notes this tax credit is required to be appropriated and has a \$6 million cap. The last two years the General Assembly only appropriated \$1 million in Wood Energy Tax Credits. Oversight’s policy is to show the extension of the tax credit in the fiscal note. Oversight will show the revenue reduction as \$0 to the \$6 million cap.

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Wood Energy tax credit program had the following activity;

	FY 2016	FY 2017	FY 2018	FY 2019 (projected)	FY 2020 (projected)
Certificates Issued	9	7	10	9	9
Projects	9	7	10	9	9
Amount Authorized	\$1,000,000	\$970,000	\$970,000	\$678,887	\$678,887
Amount Issued	\$1,000,000	\$970,000	\$970,000	\$678,887	\$678,887
Amount Redeemed	\$644,279	\$1,374,622	\$18,343	\$878,887	\$878,887

Amount Outstanding - \$291,113 Amount Authorized but Unissued - \$3,154,902.60

Oversight notes this proposal extends the sunset on the Rolling Stock Tax Credit (§137.1018) from August 28, 2020, to August 28, 2026. Oversight notes this tax credit is required to be appropriated and does not have a cap. In previous years up to \$600,000 was appropriated for this credit but was either vetoed or withheld by the Governor. In the last two years the General Assembly has not appropriated any money for the Rolling Stock Tax Credit. Oversight will show the revenue reduction from the extension of the sunset as \$0 to \$600,000.

ASSUMPTION (continued)

Oversight notes according to the Tax Credit Analysis submitted by the Department of Revenue and the State Tax Commission regarding this program, the Rolling Stock tax credit program had the following activity;

	FY 2016	FY 2017	FY 2018	FY 2019 (projected)	FY 2020 (projected)
Amount Authorized	\$291,000	\$291,000	\$0	\$0	\$0
Amount Issued	\$291,000	\$291,000	\$0	\$0	\$0
Amount Redeemed	\$291,000	\$291,000	\$0	\$0	\$0

Amount Outstanding - \$0 Amount Authorized but Unissued - \$0

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
---	---------------------	---------	---------

GENERAL REVENUE

<u>Revenue Reduction</u> - DED §135.305 extension of the Wood Energy Tax Credit	\$0	(\$0 to \$6,000,000)	(\$0 to \$6,000,000)
--	-----	-------------------------	-------------------------

<u>Revenue Reduction</u> - DOR §137.1018 extension of the Rolling Stock Tax Credit	\$0	<u>(\$0 to \$600,000)</u>	<u>(\$0 to \$600,000)</u>
---	-----	---------------------------	---------------------------

ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>(\$0 to \$6,600,000)</u>	<u>(\$0 to \$6,600,000)</u>
--	-------------------	--	--

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that utilize the credit(s) would be impacted by this proposal.

FISCAL DESCRIPTION

Current law provides for a tax credit for the production of certain wood-energy processed wood products, with such tax credit to expire on June 30, 2020. This act extends the tax credit until June 30, 2026. (§135.305)

Current law provides for a tax credit for eligible expenses incurred in the manufacture, maintenance, or improvement of a freight line company's qualified rolling stock, with such tax credit to expire on August 28, 2020. This act extends such credit until August 28, 2026. (§137.1018)

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 Economic Development
Department of Revenue
Office of Administration Division of Budget and Planning
State Tax Commission



Kyle Rieman
Director
March 25, 2019

Ross Strobe
Assistant Director
March 25, 2019