

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0463-02  
Bill No.: Perfected HB 743  
Subject: Tax Credits; Fees; Business and Commerce  
Type: Original  
Date: April 14, 2015

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Bill Summary: This proposal reauthorizes tax credits for small business equal to the amount it pays as a guaranteed fee to specified federal entities and programs.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Less than \$200,000)	(Less than \$200,000)	(Less than \$200,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Less than \$200,000)</b>	<b>(Less than \$200,000)</b>	<b>(Less than \$200,000)</b>

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

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

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** does not anticipate any costs or savings as a result of this proposal.

This proposal reauthorizes the Guaranty Fee tax credit, which was sunset in 2009. This tax credit has no program cap, and includes a carry-forward of ten years. The average amount issued for the last three years the program was effective (FY 2006-FY 2008) was \$170,045, while the amount redeemed was \$60,437. Therefore, BAP assumes this proposal could lower General and Total State Revenues by similar amounts.

This proposal may encourage other economic activity, but BAP cannot estimate the induced revenues.

**Oversight** assumes the program in this proposal would have a positive impact on the state. However, Oversight considers this to be indirect impact of this proposal and will not reflect this in the fiscal note.

Officials at the **Department of Economic Development (DED)** assume this proposal reauthorizes §135.766 (a previously sunset program). §135.766 allows a eligible small business to claim a tax credit for the amount paid as a guarantee fee for federal programs administered by the Small Business Association or United States Department of Agriculture.

This proposal adds new requirements for the tax credit including that it may not be sold or transferred and is non-refundable. The credit does have a 10 year carry-forward provision.

Based on previous usage of this tax credit in 2007 and 2008 the average usage was 169,427.

DED assumes a negative impact ranging from \$0-\$170,000 as a result of this proposal.

ASSUMPTION (continued)

**Oversight** notes this credit originally stopped in 2009. The utilization of the credit at that time was less than \$200,000.

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

**Oversight** assumes this proposal begins with tax years starting January 1, 2015, and therefore, the first time this would be claimed on a taxpayer's tax return would be FY 2016. Therefore, Oversight will show the fiscal impact of extending the credit as less than \$200,000 beginning in FY 2016.

Amendments

HA 1 would make minor technical changes to the proposal, and **Oversight** assumes the amendment would not change the fiscal impact of the proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - extension of the small business guaranty fee tax credit	(Less than <u>\$200,000</u> )	(Less than <u>\$200,000</u> )	(Less than <u>\$200,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(Less than <u>\$200,000</u>)</b>	<b>(Less than <u>\$200,000</u>)</b>	<b>(Less than <u>\$200,000</u>)</b>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that claim the credit would be positively impacted.

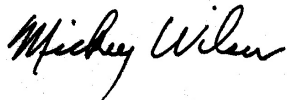
FISCAL DESCRIPTION

This proposal reauthorizes tax credits for small business equal to the amount it pays as a guaranteed fee to specified federal entities and programs.

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

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



Mickey Wilson, CPA  
Director  
April 14, 2015

Ross Strobe  
Assistant Director  
April 14, 2015