

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4561-01
Bill No.: HB 1769
Subject: Tax Credits; Business and Commerce
Type: Original
Date: January 5, 2016

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

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|------------------------------|------------------------------|------------------------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| General Revenue | (Less than \$200,000) | (Less than \$200,000) | (Less than \$200,000) |
| Total Estimated Net Effect on General Revenue | (Less than \$200,000) | (Less than \$200,000) | (Less than \$200,000) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| 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 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| 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 2017 | FY 2018 | FY 2019 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Economic Development (DED)** assume this proposal reauthorizes §135.766 (a previously sunset program). §135.766 allows an eligible small business to claim a tax credit for the amount paid as a guarantee fee for federal programs administered by Small Business Administration 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 issuance was \$170,000 per year.

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

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume the Loan Guarantee Fee tax credits could be authorized for small businesses that have paid a guaranty fee pursuant to obtaining Small Business Administration guaranteed financing and for programs administered by the Department of Agriculture for rural development and farm service agencies under this legislation. This was a pre-existing tax credit which sunset in 2009. During the final three years the credit was redeemed, the average redemption was \$46,371. Therefore, this proposal may decrease General and Total State Revenues by this amount.

These tax credits may offset Tax Year 2016 liabilities; therefore, General and Total State Revenues may be reduced as early as FY 2017.

This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues.

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

Oversight notes this credit originally stopped in 2009. The utilization of the credit at that time was less than \$200,000. Therefore, Oversight will show the fiscal impact as less than \$200,000.

| <u>FISCAL IMPACT - State Government</u> | FY 2017 (10 Mo.) | FY 2018 | FY 2019 |
|---|---|---|---|
| GENERAL REVENUE | | | |
| <u>Revenue Reduction</u> - extension of the small business guarantee fee tax credit | (Less than <u>\$200,000</u>) | (Less than <u>\$200,000</u>) | (Less than <u>\$200,000</u>) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | (Less than <u>\$200,000</u>) | (Less than <u>\$200,000</u>) | (Less than <u>\$200,000</u>) |
| <u>FISCAL IMPACT - Local Government</u> | FY 2017 (10 Mo.) | FY 2018 | FY 2019 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

Small businesses that claim the credit would be positively impacted.

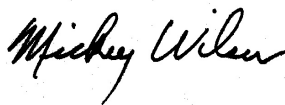
FISCAL DESCRIPTION

This proposal reauthorizes tax credits for small businesses 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

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



Mickey Wilson, CPA

Ross Strobe

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Director
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Assistant Director
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