

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 26** HLS 162ES 48

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|--|---------|-------------------------------|
| Date: June 6, 2016 | 8:14 PM | Author: THIBAUT |
| Dept./Agy.: Revenue | | Analyst: Greg Albrecht |
| Subject: "PIE Contractors" Tax Credit | | |

TAX CREDITS

OR NO IMPACT GF RV See Note

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Reduces the amount of the income tax credit for purchases from "PIE" contractors (Item #36)

Present law allows a refundable tax credit of 72% of the state sales & use tax paid by the purchaser on each case of or unit of specialty apparel items produced by businesses utilizing inmate labor in a certified Private Sector/Prison Industry Enhancement Program. After June 30, 2018 the credit rises to 100%.

Proposed law changes the current law credit to 70%, for any taxable year beginning on or after January 1, 2016.

| EXPENDITURES | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. There has been no reported utilization of this credit in the Revenue Department Tax Exemption Budgets for any of the years that the credit has been allowed. The credit has been effective from tax year 2007.

While the credit change proposed by this bill can only work to increase credit costs to the state, relative to the 72% credit allowed in current law for FY17 and FY18, and to decrease credit costs relative to the 100% credit allowed in current law from FY19 and beyond, there have been no credit costs to the state since inception of this credit.

Senate Dual Referral Rules House

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|---|--|
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

John D. Carpenter
Legislative Fiscal Officer