

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2748-02  
Bill No.: HB 945  
Subject: Economic Development; Taxation and Revenue.  
Type: Original  
Date: February 9, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<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 4 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</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 LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Department of Economic Development (DED)** did not respond to our request for fiscal impact. However, in response to a similar proposal from this year, DED stated the bill imposed some additional duties on DED with regard to capturing information on tax credits and grants. DED would also be required to do a report to the President Pro Tem of the Senate and the Speaker of the House.

DED felt that changes could be incorporated into existing programs and the report could be prepared from information already gathered. No costs were anticipated at the time. DED stated that if these items require more work than anticipated, a budget request could be submitted in the future

Officials from the **Department of Revenue (DOR)** state this legislation includes tax credits to the current list of economic incentives DED must report on annually, and requires DED to gather more information from the individuals requesting these economic incentives.

DOR states they administer several credits that are not approved prior to filing a tax return. It is DOR's assumption that the only information that will need to be given to DED is the amount claimed on the returns, and DED will process this information through the REMI program in

ASSUMPTION (continued)

order to report the economic impact. If this assumption is incorrect, further review will be needed by DOR's Division of Taxation.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

With this proposal, small businesses that apply to the Department of Economic Development will need to provide additional information regarding the tax credits they seek to obtain.

DESCRIPTION

For any contract or agreement between the Department of Economic Development (DED) and another party that provides grants, loans, or other assistance to which a monetary value can be assigned, current law requires DED to specify that the recipient will use the grant, loan, or other assistance solely as required by the program through which the assistance was provided and that misappropriated funds be repaid in full to the department. This proposal applies the same conditions to tax credits.

In addition, the proposal requires DED for each grant, loan, or tax credit to:

- (1) Describe the economic incentive, including its amount and type;
- (2) State why the economic incentive is needed;

DESCRIPTION (continued)

- (3) State the public purpose for the incentive;
- (4) State the goals for the incentive and the time periods by which these goals must be met;
- (5) Describe the financial obligations of the party if the requirements of the contract or agreement are not met;
- (6) State the name and address of the parent corporation of the recipient, if any; and
- (7) State all other financial assistance known by the department that was received by the recipient for the same project.

All contracts and agreements are governed by the applicable provisions of contract law.

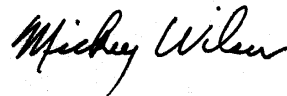
The department is also required to submit an annual report regarding all economic incentives administered in the previous calendar year. The proposal specifies the requirements of the report.

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

**NOT RESPONDING: Department of Economic Development**



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Director  
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