

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4228-01  
Bill No.: HB 1043  
Subject: Tax Credits; Fees; Business and Commerce  
Type: Original  
Date: January 6, 2014

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Bill Summary: This proposal reauthorizes tax credits for guaranty fees paid by small businesses.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue*	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\* Historical utilization of this credit was below \$200,000 annually.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<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 2015</b>	<b>FY 2016</b>	<b>FY 2017</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 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume no impact to BAP from this proposal. This proposal reauthorizes the Guaranty Fee tax credit, which has not been authorized since 2009. This tax credit has no program cap in place, and includes a carry-forward of ten years. The average amount issued for the last three years the program was authorized (FY 06-FY 08) was approximately \$170,045. Therefore, BAP assumes this proposal could lower General and Total State Revenues by up to this amount. This proposal may encourage other economic activity. BAP cannot estimate the induced revenues.

Officials at the **Department of Economic Development (DED)** assume \$135,766, allows for a tax credit against the fees paid by applicants for a SBA loan or a USDA Rural Development loan. This program was previously administered by DED and during the life of the program the annual utilization was around \$200,000. DED assumes this will have a negative impact of \$200,000. However, it should be noted that the legislation does not place a cap on the program; thus, the utilization amount could increase from previous years.

DED is requesting .5 FTE to assist in the administration of this tax credit. This FTE would be an Economic Development Incentive Specialist III and would be responsible for reviewing applications and determining whether applicants meet the criteria for program participation.

**Oversight** assumes that due to the limited use of this program that DED could absorb the responsibilities of this tax credit with existing resources. Should DED experience the number of additional tax credit redemptions to justify another FTE, they could seek that FTE through the appropriation process.

Officials at the **Department of Revenue (DOR)** assume this proposal would require computer programming changes to multiple tax systems at a cost of \$36,691 for 1,344 FTE hours. The Personal Tax Division would require two Revenue Processing Technicians I (\$25,844) for error correction and correspondence.

**Oversight** assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

ASSUMPTION (continued)

**Oversight** assumes DOR’s Personal Tax Division could absorb the responsibilities of this tax credit with existing resources. Should DOR experience the number of additional tax credit redemptions to justify another FTE, they could seek that FTE through the appropriation process.

This credit originally stopped in 2009. The utilization of the credit at that time was less than \$200,000. This proposal reinstates the tax credit but it does not have an annual cap, so **Oversight** will reflect an unknown loss of revenue to the State.

**Oversight** assumes the changes to this program outlined in this proposal may have a positive indirect impact on the state but will not reflect it in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - extension of the small business guaranty fee tax credit*	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

\* **Historical utilization of this credit was below \$200,000 annually.**

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Small businesses that qualify for this credit would be impacted.

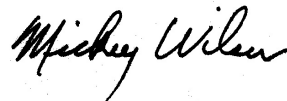
FISCAL DESCRIPTION

This bill reauthorizes tax credits for a small business equal to the amount the small business pays as a guaranteed fee to the United States Small Business Administration and to programs administered by the United States Department of Agriculture for rural development or farm service agencies. The tax credits are not transferable but may be carried forward for 10 years.

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



Mickey Wilson, CPA  
Director  
January 6, 2014

Ross Strope  
Assistant Director  
January 6, 2014