

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0844-02
Bill No.: HB 580
Subject: Economic Development; Tax Credits; Taxation and Revenue - Income;
 Proprietary Education; Department of Revenue
Type: Original
Date: February 7, 2017

Bill Summary: This proposal authorizes the Skilled Trade and Apprenticeship Revitalization (STAR) tax credit, which authorizes a tax credit for employing apprentices in a skilled trade.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$131,040)	(Up to \$400,000)	(Up to \$400,000)
Total Estimated Net Effect on General Revenue	(\$131,040)	(Up to \$400,000)	(Up to \$400,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (B&P)** assume this proposal creates the Skilled Trade and Apprenticeship Revitalization (STAR) Tax Credit Program which offers a tax credit for employing apprentices in a skilled trade. The amount of tax credits available for this program is \$400,000 annually. These tax credits shall not be refundable, carried forward to subsequent tax years, sold, transferred, or assigned. This proposal could result in up to a (\$400,000) direct decrease to General and Total State Revenues and could impact the calculation under Article X, Section 18(e). This program may encourage other economic activity, but B&P cannot estimate the induced revenues.

Oversight assumes the creation of this new program outlined in this proposal may have a positive impact on the state. However, Oversight considers this to be an indirect impact of the proposal and will not reflect it in this fiscal note.

Officials at the **Department of Revenue (DOR)** assume this will require forms and programming changes to implement the provisions of this section. The Integrated Tax System will require updates at a cost of \$131,040.

The Personal Tax Division will require one Revenue Processing Technicians I (\$27,185) per 4,000 tax credits claimed. The Corporate Tax Division will require two Revenue Processing Technicians I (\$27,185) per 4,000 tax credits redeemed. The Collections & Tax Assistance Division will see additional customer contacts from this legislation and notice of adjustments. The section requires two Tax Collection Technicians I (\$27,185), one for every additional 15,000 contacts annually on the non-delinquent tax line and one for every additional 15,000 contacts annually on the delinquent tax line. Each technician requires CARES equipment and license.

Oversight notes that the maximum amount of tax credits that can be issued each year is \$400,000. Each tax payer is allowed to receive up to \$1,000 in credits. Which means a maximum of 400 credits could be issued each year. Therefore, DOR will not need any FTE to handle the processing of this tax credit.

Oversight notes this tax credit is not refundable, can not be carried over, sold, transferred or assigned. Therefore it must be redeemed the year it is received.

Oversight notes this credit starts January 1, 2018. Therefore the first year it would be claimed on a tax return is in FY 2019. Oversight will show the impact starting in FY 2019.

ASSUMPTION (continued)

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year’s legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Revenue Reduction</u> - STAR tax credit	\$0	(Up to \$400,000)	(Up to \$400,000)
<u>Cost</u> - DOR computer upgrades	<u>(\$131,040)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$131,040)</u>	<u>(Up to \$400,000)</u>	<u>(Up to \$400,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that claim the tax credit can be positively impacted.

FISCAL DESCRIPTION

This bill creates the Skilled Trade and Apprenticeship Revitalization (STAR) Tax Credit. Beginning January 1, 2018 a taxpayer, as defined in the bill, that employs an apprentice through a United States Department of Labor approved apprenticeship program or a vocational or technical program of a high school is allowed to claim \$1,000 per apprentice employed through a Department of Labor approved program and \$500 per apprentice employed through a vocational high school program.

An employer shall not claim more than two apprentices per journeyman, and no more than 10 apprentices per year. The tax credits created by this bill are not refundable, transferable, nor do they carry over towards subsequent tax years. Furthermore, the total amount of tax credits authorized by the Department of Revenue shall not exceed \$400,000 per tax year. If the amount of claimed credits exceeds \$400,000, the credits will be issued on a first come, first-served basis.

These provisions expire six years after the effective date.

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
Joint Committee on Administrative Rules
Office of Administration
Division of Budget and Planning
Office of the Secretary of State



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L.R. No. 0844-02
Bill No. HB 580
Page 6 of 6
February 7, 2017

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February 7, 2017

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February 7, 2017