

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1390-01
Bill No.: HB 1033
Subject: Tax Credits; Fees; Business and Commerce
Type: Original
Date: April 15, 2013

Bill Summary: This proposes to extend tax credits for guaranty fees paid by small businesses.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

- 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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration - Budget and Planning (BAP)** assume this proposal renews the Guaranty Fee Tax Credit, which has not been authorized since 2009. During FY's 2005- 2009, redemptions averaged about \$45,000 per year. This proposal could reduce General and Total State Revenues by similar amounts. This proposal may encourage other economic activity. BAP cannot estimate the induced revenues.

Officials at the **Department of Economic Development (DED)** assume this proposal re-authorizes a program that will guarantee the fee paid in obtaining any SBA loan or USDA rural development loan. The applicant would receive a tax credit for 100% of the fee. Therefore; DED assumes an unknown negative over \$100,000.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

Since this tax credit does not have an annual cap, **Oversight** will reflect an unknown loss of revenue to the State.

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

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Revenue Reduction</u> - extension of the guaranty fee tax credit	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that receive the 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
Budget and Planning



Ross Strobe
Acting Director
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