

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 37** HLS 202ES 37
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: October 21, 2020 5:45 PM	Author: BEAULLIEU
Dept./Agy.: Revenue / Alcohol and Tobacco Control	
Subject: Income Tax Credit For License/Permit Fees Paid	Analyst: Greg Albrecht

TAX CREDITS EN DECREASE GF RV See Note Page 1 of 1
 Authorizes an income tax credit for certain businesses whose operations were interrupted as a result of the COVID-19 pandemic (Items #26 and 65)

Provides a credit against income tax for annual and renewal license or permit fees paid by owners of bars and restaurants to the alcohol and tobacco control agency for 2020. If payments were made for a two-year basis, the credit is for one-half the payment. Claimants' 2020 sales must be lower than 2019 sales as a result of business interruption by the Covid-19 pandemic. Unused credit amounts may be carried forward for three years.

Effective upon governor's signature.

EXPENDITURES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	(\$65,000)	\$0	\$0	\$0	\$0	(\$65,000)
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$65,000)	\$0	\$0	\$0	\$0	(\$65,000)
REVENUES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	DECREASE	DECREASE	DECREASE	\$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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total				\$0	\$0	\$0

EXPENDITURE EXPLANATION

As proposed law creates a new credit that can be carried forward for three years, LDR anticipates approximately \$65,000 of development and tracking costs for the implementation and tracking of the credit.

REVENUE EXPLANATION

Proposed law creates a non-refundable income tax credit for the amount of annual license or permit fees paid by owners of restaurants and bars whose sales were negatively impacted during calendar year 2020. While the LFO is unable to estimate a precise level of fee revenue that would be impacted, the ATC budget request for FY21 indicates fee revenue likely associated with the permits targeted by the bill in the range of \$4.1 million to \$4.7 million. ATC also provided a sum of what they presumed would be affected fees of \$4.1 million during FY20. Thus, an upper bound of potential state revenue loss exposure is roughly \$4 million.

The total anticipated negative revenue impact over the entire fiscal note horizon will be an unknown amount that is likely smaller than \$4 million, beginning in the current fiscal year. As the credit is non-refundable, it is limited to the annual tax liability of the affected businesses, but unused credit amounts can be carried forward for three years, LFO assumes some negative impact on income tax revenues in each of the three fiscal years following calendar year 2020.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Christopher A. Keaton
Legislative Fiscal Officer