

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0191-01
Bill No.: HB 143
Subject: Economic Development; Tax Credits
Type: Original
Date: January 3, 2017

Bill Summary: This proposal extends the sunset date of the Manufacturing Jobs Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0 to (Could exceed \$15,000,000)	\$0 to (Could exceed \$15,000,000)	\$0 to (Could exceed \$15,000,000)
Total Estimated Net Effect on General Revenue	\$0 to (Could exceed \$15,000,000)	\$0 to (Could exceed \$15,000,000)	\$0 to (Could exceed \$15,000,000)

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 5 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 would extend the sunset date of the Manufacturing Jobs Act from October 12, 2016 until October 12, 2028. Since the provisions of the Manufacturing Jobs Act expired on October 12, 2016, this legislation would impact General and Total State Revenue and the calculation under Article X, Section 18(e). This program may encourage other economic activity, but B&P does not have data to estimate the induced revenues. The Department of Economic Development may have a better estimate.

A business with an NAICS code of 33611 may retain withholding taxes in the amount of 100% for retained full time employees for the creation of a new product line for 10 years or retain 50% of the withholding taxes for the modification or expansion to an existing product for 7 years. A qualified supplier of an eligible manufacturer may retain 100% of withholding taxes for new jobs (creation of 5 new jobs threshold to qualify) for a period of 3 years or, if wages are in excess of 120% of county average, for 5 years. This legislation places an aggregate cap on the total withholding tax that may be retained by all qualified manufacturing companies at \$15 million per calendar year. There is no cap placed on the suppliers.

Oversight assumes the extension of the 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 Economic Development (DED)** assume this extends the program another 12 years.

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

Oversight notes that the Manufacturing Jobs Act allows credits to qualified manufacturing companies up to \$15 million annually. Additionally, qualified suppliers are allowed tax credits; however, no limit is placed on the amount they can receive. **Oversight** will range the fiscal impact from \$0 (no credits issued) to Could exceed \$15,000,000. According to the October 2016 Tax Credit Analysis report provided by the DED, issuances under this program totaled \$16,460,214 in FY 2015 and \$16,369,065 in FY 2016.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE			
<u>Revenue Reduction</u> - DED - extension of Manufacturing Jobs Act §620.1910.11(1) from 10/12/2016 to 10/12/2028	\$0 to (Could exceed <u>\$15,000,000</u>)	\$0 to (Could exceed <u>\$15,000,000</u>)	\$0 to (Could exceed <u>\$15,000,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to (Could exceed <u>\$15,000,000</u>)	\$0 to (Could exceed <u>\$15,000,000</u>)	\$0 to (Could exceed <u>\$15,000,000</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

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill re-authorizes the sunset on the Manufacturing Jobs Act from October 12, 2016, to October 12, 2028.

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

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
January 3, 2017

Ross Strobe
Assistant Director
January 3, 2017