

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3880H.01I
Bill No.: HB 1771
Subject: Tax Credits; Taxation and Revenue - General; Taxation and Revenue - Income;
Department of Revenue
Type: Original
Date: January 5, 2026

Bill Summary: This proposal establishes notice requirements of tax credit denials before penalties are issued.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§143.512 – Tax Credit Penalties

Officials from the **Department of Revenue (DOR)** assume this proposal would allow a taxpayer who attempts to claim a tax credit, that is denied from a lack of available funds, and that denial causes a balance due notice to be generated by DOR, to pay their balance due without paying a penalty or interest for sixty days. If the balance due is not paid within sixty days the penalty and interest would still be owed.

DOR notes that tax credits can be denied for various reasons. Many of the state tax credit programs have caps that are based on that first come first serve principle and taxpayers can be denied if their claim is filed later than others.

DOR has two tax credits that have caps and are apportioned credits. These credits allow people to apply and then the amount of the credit is adjusted downward should the number of credits claimed exceed the cap. Those two credits are the Champion for Children and Food Pantry tax credit programs.

DOR notes the Champion for Children tax credit program already grants DOR the authority to notify taxpayers of the apportionment of their credit and to adjust the credit downward. Additionally, the program also allows DOR to give those taxpayers a sixty-day grace period to make an additional payment should their account require it. This proposal would not impact the Champion for Children program.

DOR notes that the Food Pantry program does not allow for such a grace period. At this time, DOR would notify the taxpayer of the adjustment and then is required to assess penalties and interest. It appears this proposal attempts to allow DOR to give them a grace period similar to the Champion for Children program. DOR assumes this would have minimal impact of less than \$10,000 annually.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would waive additions to tax, interest, and penalties on tax liabilities resulting solely from a tax credit limit-denial, if the resulting tax due is paid within 60 days. B&P notes that this would only apply to tax credits that are apportioned among taxpayers if redemptions are greater than the amount allowed per statute or appropriation.

B&P notes that currently taxpayers are encouraged to remit their full tax liability, calculated before a tax credit, in case their tax credit claim is denied. However, based on additional information taxpayers are not actually able to remit a payment above the balance due amount shown on their original return until that amount has been amended by DOR. Therefore, taxpayers

receiving apportioned credits end up with a tax due notice, with interest and penalties currently levied on the overdue amount.

Based on information provided by DOR, this provision could reduce TSR by an unknown, likely minimal, amount.

Oversight notes that officials from DOR and B&P both assume this proposal would have a minimal impact on the general revenue, if any.

Oversight is unsure of how many taxpayers previously received notice of apportionment thus additional tax due. However, based on responses from DOR and B&P, Oversight will assume that the total amount of interest and penalties owed, less than \$10,000, is not material. Therefore, Oversight will not show an impact in the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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

Office of Administration – Budget & Planning
Department of Revenue



Julie Morff
Director
January 5, 2026



Jessica Harris
Assistant Director
January 5, 2026