

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 72** SLS 202ES 244
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: October 22, 2020 1:06 PM **Author:** TALBOT
Dept./Agy.: Revenue / Alcohol and Tobacco Control **Analyst:** Greg Albrecht
Subject: Income Tax Credit For License/Permit Fees Paid

TAX/INCOME/CORPORATE EN -\$2,000,000 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. (gov sig)(Items #26 and #65)

Provides a one-time refundable credit against income tax for that portion of annual and renewal license or permit fees paid by owners of bars and restaurants to the alcohol and tobacco control agency for 2020 that are attributable to any month during which the holder's operations were temporarily closed pursuant to Proclamation Number 30 JBE 2020, or any subsequent proclamation declaring a statewide Covid-19 public health emergency. Applicable to income tax periods beginning January 1, 2020 through December 31, 2020.

Effective upon governor's signature.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$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	\$0	\$0	\$0

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	(\$1,500,000)	(\$500,000)	\$0	\$0	\$0	(\$2,000,000)
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	(\$1,500,000)	(\$500,000)	\$0	\$0	\$0	(\$2,000,000)

EXPENDITURE EXPLANATION

As proposed law creates a new credit, LDR anticipates approximately \$65,000 of IT staff time development costs for the implementation of the credit.

REVENUE EXPLANATION

Proposed law creates a refundable income tax credit for the amount of annual license or permit fees paid by owners of restaurants and bars attributable to any month during which the holder's operations were temporarily closed pursuant to Proclamation Number 30 JBE 2020, or any subsequent proclamation declaring a statewide Covid-19 public health emergency.

The ATC budget request for FY21 indicates fee revenue 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 affected fees of \$4.1 million during FY20. Proclamation Number 30 JBE 2020 closed the affected businesses for roughly a month (March 17, 2020 - April 12, 2020). Subsequent proclamations continued restrictions on the opening and capacity allowed of various businesses under various circumstances; and the effective closure of some affected businesses may be longer than the proclamation periods. Roughly 1/12 of the approximately \$4 million in license/permit fees targeted by the bill may reflect the minimum state fiscal exposure of \$333,000 of this credit. In addition, affected establishments pay a variety of different fees depending on the combination of food and drink service they provide. Since the bill grants a refundable tax credit, the state's exposure is not limited to business tax liabilities, making it likely that a majority of the exposure will be realized against state tax receipts. Recognition of the likely greater actual exposure may be achieved by assuming some multiple of the monthly approximation, incorporating relatively shorter closures for some affected businesses and relatively longer closures for other affected businesses. With no information as to the actual applicability of this credit across affected businesses, the fiscal note assumes roughly one-half of the total amount of license fees associated with these establishments will be foregone through this credit, or \$2 million. Much of this credit would likely be claimed on tax year 2020 returns filed in the spring of 2021, affecting FY21 receipts, but some may show up on extensions and amended returns for the year filed in later periods.

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