LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 6190
BILL NUMBER: SB 71

DATE PREPARED: Nov 12, 1999
BILL AMENDED:

SUBJECT: Inventory Tax phase out.

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FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State

STATE IMPACT	FY 2000	FY 2001	FY 2002
State Revenues		(42,800,000)	(90,200,000)
State Expenditures			
Net Increase (Decrease)		(42,800,000)	(90,200,000)

Summary of Legislation: This bill provides a credit against a taxpayer's state tax liability for property taxes paid on inventory. It provides that the credit is initially equal to 10% of property taxes paid on inventory, and increases the credit percentage over ten years until the credit may be claimed for 100% of property taxes paid on inventory.

Effective Date: January 1, 2000.

Explanation of State Expenditures: The Department of Revenue will have additional administrative expenses related to the updating the tax forms and monitoring this tax credit.

Explanation of State Revenues: This bill creates a tax credit based on a certain percentage of property taxes paid on inventory. The applied percentages and corresponding tax years are identified below along with the estimated revenue loss for the respective fiscal years. The tax credit is applicable for tax years beginning January 1, 2000 and will first affect revenue collections in FY 2001 as noted below.

Tax Year	% Credit	Estimated Inventory Tax Credit	FY Impact
2000	10%	$42,800,000	FY 2001
2001	20%	90,200,000	FY 2002
2002	30%	137,900,000	FY 2003
2003	40%	196,200,000	FY 2004
2004	50%	261,700,000	FY 2005
2005	60%	335,000,000	FY 2006
2006	70%	397,900,000	FY 2007
2007	80%	485,200,000	FY 2008
2008	90%	582,400,000	FY 2009
2009 & After	100%	690,300,000	FY 2010 & after

The tax credits would continue to grow in tax years 2010 and years after.

The credit may be taken against the taxpayer's liability under the Corporate Gross Income Tax, Adjusted Gross Income Tax, Supplemental Net Income Tax, Bank Tax, Savings and Loan Association Tax, Insurance Premium Tax, and the Financial Institution Tax. If the amount of the credit exceeds the taxpayer's liability, they may carry forward the excess in subsequent years. A taxpayer is not entitled to a carryback or a refund of any unused credit. If a pass through entity does not have an income tax liability, the credit may be taken by the shareholder(s) or partner(s) in relation to their distributive income in which they are entitled from the pass through entity.

Tax revenue from the various taxes noted above are deposited in the General Fund and the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Revenue, State Tax Board.

Local Agencies Affected:

Information Sources: Property Tax Analysis, State Board of Tax Commissioners; Local Government Database.