

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6740

BILL NUMBER: HB 1423

NOTE PREPARED: Apr 8, 2003

BILL AMENDED: Mar 24, 2003

SUBJECT: Prison Investment Tax Credit.

FIRST AUTHOR: Rep. Murphy

FIRST SPONSOR: Sen. Miller

BILL STATUS: As Passed - Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill allows the retroactive application of the Prison Investment Credit to shareholders, partners, beneficiaries, and members of a pass through entity that conducted an operation at Rockville Correctional Facility for taxable years beginning after December 31, 1997, and ending before January 1, 2002.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of State Revenue will have some minimal administrative expenses to process these refunds.

Explanation of State Revenues: (Revised) *Summary:* This bill retroactively amends the Prison Investment Credit to allow pass through entities who conducted an operation at Rockville Correctional Facility to be entitled to this credit for tax years 1998 to 2001. The bill waives any penalties or interest assessed for a credit claimed by a taxpayer in these years. It also waives the three-year limitation to file a claim for a refund of this credit. The revenue loss from these provisions will be minimal.

Background: The current tax credit is allowed for investment in qualified property or wages paid to inmates as approved by an agreement with the Department of Correction (DOC). The credit is limited to the lesser of (1) the taxpayer's tax liability; (2) the sum of 50% of the investment in qualified property plus 25% of wages paid to inmates; or (3) \$100,000. P.L. 129-2001 amended this credit to include pass through entities beginning in the 2002 tax year. Currently, DOC has nine businesses who are participating in this program.

Secondary Impact: Wages paid to inmates working under these agreements have generated federal, state, and

local income taxes, Victim Compensation Fund payments, and room and board reimbursements as identified in the table below.

Year	Federal, State & Local Income Taxes Paid	Victim Compensation Fund Payments	Room & Board Reimbursements
2000	\$153,380	\$137,869	\$549,286
2001	\$460,868	\$251,661	\$1,000,071

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue; Department of Correction.

Local Agencies Affected:

Information Sources: Becky Gillam, Department of Correction, Pen Products, 388-8580.

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