

**EXECUTIVE AGENCY
FISCAL NOTE**

AGENCY'S ESTIMATES

Date Prepared: March 28, 2017

Agency Submitting: Department of Taxation

Items of Revenue or Expense, or Both	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Effect on Future Biennia
Budget Savings (Expense)		(\$605,282)	(\$1,000,851)	(\$2,158,867)
Commerce Tax (Revenue)		(\$181,220,000)	(\$189,919,000)	(\$379,838,000)
Modified Business Tax (Revenue)		\$36,278,389	\$36,278,389	\$72,556,778
Total	0	(\$144,336,329)	(\$152,639,760)	(\$305,122,355)

Explanation

(Use Additional Sheets of Attachments, if required)

Please see attached

Name Deonne Contine

Title Executive Director

GOVERNOR'S OFFICE OF FINANCE COMMENTS

Date Monday, March 27, 2017

The agency's response appears reasonable.

Name Paul Nicks

Title Executive Budget Officer

DESCRIPTION OF FISCAL EFFECT

BDR/Bill/Amendment Number: 32-317Name of Agency: Department of Taxation

Division/Department: _____

Date: March 23, 2017

BDR 32-317 repeals the Commerce Tax effective July 1, 2017. Given the proposed effective date, the tax return for fiscal year 2017 would still be due and payable in August 2017. The Department would be required to keep staff in order to process this final year of tax returns. Multiple positions would then be eliminated based on wind down of functions and processes. In addition, programming changes would be needed in the Unified Tax System, including end dating the Commerce Tax and updating the Modified Business Tax to no longer include a Commerce Tax Credit.

Revenue:

The Economic Forum projected Commerce Tax revenues for FY 2018 and 2019. Utilizing these forecasts the loss in revenue would be:

FY 2018: (\$181,220,000) loss

FY 2019: (\$189,919,000) loss

Future Biennia: (\$379,838,000) loss – calculated as twice the FY 2019 estimate.

The Commerce Tax Credit would no longer be utilized on the Modified Business Tax returns effective July 1, 2017. The Department has data on Commerce Tax credits taken for the first two quarters of FY 2017. It is challenging to estimate the impact on revenue without a full year of data, however, based on this limited data, the impact to revenue is estimated as follows:

FY 2018: \$36,278,389

FY 2019: \$36,278,389

Future Biennia: \$72,556,778

Expense:

The Department would incur programming costs to end date the Commerce Tax and remove the Commerce Tax Credit from the Modified Business Tax returns. The Department would also see savings from the elimination of staff, lockbox services, and paper mailings as well as other ancillary costs.

FY 2018: (\$605,282) savings

FY 2019: (\$1,000,851) savings

Future Biennia: (\$2,158,867) savings