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FISCAL IMPACT REPORT

ORIGINAL DATE 01/31/12
LAST UPDATED 02/11/12 **HB** 242/aHBIC

SPONSOR Chavez, D.

SHORT TITLE Rural Job Tax Credit Definitions **SB** _____

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY12	FY13	FY14		
	Indeterminate		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

No Response From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HBIC Amendment

The House Business and Industry amendment to House Bill 242 changes the definitions for a qualifying job for the credit. The claimant can claim the credit regardless of reorganizations or change of management as long as the claim is under review prior to the reorganization/ change in management a credit. This amendment is technical in nature.

Synopsis of Original Bill

This bill clarifies when a qualifying job is eligible for the credit. This bill would require that a company be “eligible for,” for such a program. The bill redefines wages to be gross of all benefits, overtime, and other add-ons.

FISCAL IMPLICATIONS

The maximum credit claims filed and paid were \$652,000 in FY 10. The average over the previous three fiscal years has been \$435,000. The loophole-closing features of this bill will forestall unintended consequences. The change in definition of “wages” is sufficiently similar to current law as not to create revenue loss.

OTHER SUBSTANTIVE ISSUES

This bill may be counter to the LFC tax policy principle of adequacy. According to the LFC staff General Fund Recurring Appropriation Outlook for FY14 and FY15, December 2011 forecasted revenues will be insufficient to cover growing recurring appropriations.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy:** Revenue should be adequate to fund needed government services.
2. **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity:** Different taxpayers should be treated fairly.
4. **Simplicity:** Collection should be simple and easily understood.
5. **Accountability:** Preferences should be easy to monitor and evaluate

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