

FISCAL NOTE

Requested by Legislative Council
01/05/2005

REVISION

Bill/Resolution No.: HB 1031

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$350,000)		(\$750,000)	
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Sections 1 and 3 of HB 1031 increase the property tax exemptions for new and expanding businesses from five to ten years. Section 2 increases the income tax exemption for new and expanding businesses from five to ten years, with retroactive provisions for those businesses currently within their five year exemption. Section 4 enables a developer who receives a property tax exemption under tax increment financing to also qualify for an income tax exemption. (NOTE: This fiscal note was revised 1/5/05 because of the availability of additional information.)

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

It is estimated that Section 2 of HB 1031 may result in a reduction of state general fund revenues of \$350,000 in the 2005-07 biennium, and \$750,000 in the 2007-09 biennium. This is based on existing projects within their current five year income tax exemption period. The fiscal impact of new projects granted 10 year income tax exemptions is unknown, and dependent upon the actions of the State Board of Equalization and the projects that come before the board. Any fiscal impact would be beyond the 2005-07 biennium. The property tax exemption provisions in Sections 1 and 3 are likely to have little fiscal impact, because current law allows up to 20 years of payment in lieu of property taxes for new or expanding businesses, which could be nearly a complete exemption. The provisions of Section 4 may result in a small indeterminate reduction of income tax revenue.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget.*

Indicate the relationship between the amounts shown for expenditures and appropriations.

Name: Kathryn L. Strombeck
Phone Number: 328-3402

Agency: Office of Tax Commissioner
Date Prepared: 01/04/2005