

FISCAL NOTE
Requested by Legislative Council
01/18/2021

Amendment to: HB 1405

- 1 A. **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.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1405 will expand the existing corporate income tax credit for hiring an individual who is developmentally disabled or chronically mentally ill.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of the bill expands an existing income tax credit allowed to a corporation for hiring an individual who is developmentally disabled or chronically mentally ill. Under current law, the credit is 5% of the first \$6,000 of wages paid during the first 12 months of employment. The credit may not exceed 50% of the corporation's tax liability.

The bill expands the credit as follows: (1) The bill will allow the credit to other types of taxpayers—individuals, estates, trusts, and passthrough entities, such as partnerships and S corporations. (2) The credit rate will be increased to 25%. (3) The credit may be claimed in each tax year in which wages are paid to an eligible employee. If a taxpayer is unable to use all of the credit in the year it is earned, the taxpayer may carry the unused portion over up to three tax years.

The bill also replaces “chronically mentally ill” with “severe mental illness,” and provides that, to qualify, an employer must apply to the Department of Human Services, Vocational Rehabilitation Division, for a determination that the employee has a qualifying disability, is eligible for services, and requires customized employment to obtain competitive integrated employment. No more than 100 individuals may be certified as qualifying for the credit, which is to be determined in the order the applications are received.

Note: This bill makes the same changes to the law that were made by the 2019 legislature (HB 1406); however, those changes expired at the end of the 2020 tax year, and the law reverted to the 2018 version for tax years after 2020.

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.*

Originally created in 1987, the credit under current law has had little, if any, use. For the 2006 through 2018 tax years, for which data is available, the current law's credit has not been claimed by any corporation. Also, for the 2019 and 2020 tax years, when the 2019 law changes were in effect, the credit was not claimed.

If enacted, HB 1405, may reduce state general fund revenues for the 2021-23 biennium. The amount of the reduction, if any, cannot be determined because it is not known to what extent the credit will be used.

- 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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn Strombeck

Agency: Office of Tax Commissioner

Telephone: 701-328-3402

Date Prepared: 01/25/2021