

FISCAL NOTE
Requested by Legislative Council
12/20/2016

Bill/Resolution No.: HB 1047

- 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.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(500,000)			
Expenditures						
Appropriations						

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 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 1047 changes the provisions governing the income tax credit for purchasing machinery and equipment for the purpose of automating a manufacturing process.

- 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.*

Current law allows an income tax credit to a business that the North Dakota Commerce Department certifies as a primary sector business. The credit is equal to 20% of the purchase price of automation and robotic machinery and equipment that is acquired to automate a manufacturing process. There is a ceiling on the total credits allowed in a year, which is \$500,000 for years after 2015. (The ceiling was \$2 million prior to 2016.) Starting with 2015, any credits not claimed under the ceiling roll over and raise the credit ceiling for the following year. The law sunsets at the end of 2017.

HB 1047 removes the sunset on the credit, which allows the credit for years after 2017.

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.*

The annual ceiling on the credit was reached in both 2013 and 2014, the first two years of the program. Of the \$2 million of credits available for 2015, just under \$979,000 were claimed. The unclaimed credits rolled over, raising the credit ceiling for 2016 to \$1.521 million. Information on credit usage for 2016 and 2017 are not yet available. (The deadline for filing 2016 credit applications is January 31, 2017.)

HB 1047 makes the credit available in years after 2017, thereby affecting only the second year of the 2017-19 biennium. Based on the use of the program in its first three years, the enactment of HB 1047 could reduce state general fund revenues by an estimated \$500,000 for the second year of the biennium, which is the ceiling for 2018. (The rollover of unused credits, if any, from years prior to 2018 could increase the negative fiscal impact of this bill, but the amount of any unused credits is currently unknown and is not considered in this fiscal note.)

- 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.*

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