

FISCAL NOTE
Requested by Legislative Council
03/18/2019

Amendment to: Engrossed HB 1040

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(4,000,000)			
Expenditures						
Appropriations						

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 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).*

Engrossed HB 1040 with Senate Amendments creates an income tax credit for the purchase of machinery and equipment to automate a manufacturing process in this state.

- 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 provides for an income tax credit equal to twenty percent of the cost of qualifying machinery and equipment purchased within the tax year. To qualify, the machinery and equipment must upgrade or advance a manufacturing process in this state, which leads to a 5% increase in average wages, workforce safety, or output.

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 bill limits the combined allowable tax credits to a maximum of \$2 million per calendar year. If total credits claimed in a calendar year are less than \$2 million, the unclaimed credits are carried over and added to the following calendar year's \$2 million limit. Based on the usage of a similar credit in tax years 2013 through 2017, it is expected that the maximum credits allowed will be claimed by taxpayers. If enacted, Engrossed HB 1040 with Senate Amendments is expected to reduce state general fund revenues by \$4 million in the 2019-21 biennium.

- 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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