

Fiscal Estimate Narratives

DOR 1/16/2024

LRB Number	23-5089/1	Introduction Number	AB-0945	Estimate Type	Original
Description standard industrial classification codes for linen supply and industrial launderers and modifying the manufacturing and agriculture tax credit					

Assumptions Used in Arriving at Fiscal Estimate

The bill adds SIC industry codes for linen supply and industrial launderers to assess the property of such industries as manufacturing property for tax purposes.

Fiscal Estimate

Manufacturing and Agriculture Credit

After a review of tax returns that could newly claim the Manufacturing and Agriculture credit, it is estimated that those claims will decrease revenues by \$1.6 million. To the extent that more (fewer) taxpayers are made eligible to claim the credit, the fiscal effect could be higher (lower) than \$1.6 million.

According to the American Rescue Plan Act (ARPA) Net Tax Reduction Calculation Update memo released by the Department of Administration on 8/28/2023, the remaining margin for tax reductions before triggering potential SLFRF recoupment at \$113 million for fiscal year 2024 and \$319 million for fiscal year 2025. This bill would reduce these margins by the amount of fiscal effect.

Manufacturing Property Assessments

Under current law, manufacturing machinery and special processing equipment for classified manufacturers are exempt from property taxation. For a property classified as commercial, some related fixtures may be considered taxable real estate, while exempt if classified as manufacturing. The department anticipates an indeterminate amount of additional exempt property related to adding linen supply and industrial launderers as classified manufactures. Additional exempt property would result in an indeterminate property tax shift to other taxable property.

If a linen supply or industrial launderer is in tax increment district, the newly exempt property could reduce value increments and tax increment revenue by an indeterminate amount.

Manufacturing Assessment Administrative Costs

For manufacturing property assessment, the department estimates the bill will add roughly 600 new accounts in each district office for manufacturing property assessment (2,400 accounts statewide). To meet statutory assessment deadlines, the department will need an additional 6.0 FTE and \$479,400 for ongoing costs. The department has one-time costs of \$112,000 to reclassify the new manufacturing property, provide training for new stakeholders, and update publications.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description standard industrial classification codes for linen supply and industrial launderers and modifying the manufacturing and agriculture tax credit		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The bill has a one-time cost of 112,000 for training, modifying forms, and initial classification and property reviews.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$479,000	\$
(FTE Position Changes)	(6.0 FTE)	
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$479,000	\$
B. State Costs by Source of Funds		
GPR	479,000	
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$-1,600,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-1,600,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$479,000	\$
NET CHANGE IN REVENUE	\$-1,600,000	\$
Agency/Prepared By	Authorized Signature	Date
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