

Fiscal Estimate Narratives

DOR 10/11/01

| | | | | | |
|--|-----------|---------------------|--------|---------------|----------|
| LRB Number | 01-3897/2 | Introduction Number | AB-557 | Estimate Type | Original |
| Subject | | | | | |
| Legislative Council Committee on Labor Shortage fiscal recommendations | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

Productivity Enhancement Training Credit

The bill would create a tax credit for certain training expenses of employers. The credit would equal 100% of an employer's certified training expenses, up to \$7,500 per year. Eligible expenses must be certified by the Department of Commerce and may include up to \$2,000 for pre-training assessment and consultation.

For certification, employers must submit to Commerce a productivity enhancement training plan designed to increase employee productivity and result in their holding jobs that require higher skill levels and wages than their current jobs. The employer must receive pre-training needs assessment and consultation from an experienced provider of productivity assessments that is approved by Commerce. Employers must report to Commerce on their success in meeting the goals established in their productivity enhancement training plan. Commerce must report to the legislature on the effectiveness of the program and estimate the foregone revenues because of the credit.

The credit may not be claimed for amounts deducted under the Internal Revenue Code as ordinary and necessary business expenses. Corporations and insurers may claim the credit. Partnerships, limited liability companies and tax option corporations compute the credit and pass it on to their partners, members and shareholders in proportion to their ownership interests. Unused credits may be carried forward for 15 years to offset future tax liability.

Commerce must notify the Department of Revenue of all persons entitled to receive the credit. Credits may not be transferred. No business may be certified for credits after 2009.

Information is not available to estimate the fiscal effect of this provision. Based on Department data, it is estimated that 75% of credits claimed in a year are used in that year.

If 500 companies claimed the full amount, the annual fiscal effect would be \$2.8 million (500 x \$7,500 x 75%). If 2,500 companies claimed the full amount, the annual fiscal effect would be \$14 million (2,500 x \$7,500 x 75%).

Environmental Remediation Development Zone Credit Modifications

The bill would allow corporations that are eligible for the environmental remediation development zone credits to transfer the right to claim the credits to anyone subject to taxation. The bill also would allow municipalities and non-profit organizations that are exempt from tax to transfer up to 50% of amounts paid for environmental remediation to taxpayers certified by Commerce to claim the development zone credit. The cap for development zone credits would remain unchanged. However, the amount of credits that could be claimed would be used to offset tax liability more quickly if credits can be sold to taxpayers with tax liability.

Estimates of the costs for the Department to administer the bill are not available at this time, but will be provided in the near future.

Long-Range Fiscal Implications