

Fiscal Estimate Narratives

DOR 9/23/2003

LRB Number	03-2684/2	Introduction Number	AB-508	Estimate Type	Original
Subject					
Extend carry forward of manufacturing sales tax credits					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, an income and franchise tax credit is available for the amount of sales and use tax paid on fuel and electricity used in manufacturing. If the credit claimed exceeds the manufacturer's tax liability in the current year, the manufacturer may carry forward the unused portion of the credit for 15 years to use in offsetting tax liability in those years.

The draft would extend the carryforward period from 15 years to 20 years for taxable years beginning on January 1, 2003.

Data are not available to estimate the fiscal effect of extending the carryforward period for the credit. However, it is believed that the fiscal effect may be small since manufacturers that cannot use the credit carryforward under the current 15-year period may also not have tax liability to offset in the next 5 years.

A substantial portion of the manufacturers sales tax credit is not used to offset tax liability in the year that it is claimed. Based on Department data, nearly 4,000 corporations had \$197 million of credit that was either claimed in the current year or carried forward from past years and that was available for use in offsetting tax liability in 2001. Of these corporations, 1,200 corporations used \$22.4 million of the available credit to offset tax liability.

Long-Range Fiscal Implications