

Legislative Fiscal Division

Legislative Budget Options

Section Name: Global Issue

Time : Medium

Committee: RTIC

Agency Name: Statewide Issue

Status : One-Time

FTE Impact : N

Program Name:

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	\$112,241,000	(\$112,241,000)	\$0

Description of Option: Transfer State Special Revenue Fund Balances to the General Fund

Criteria Name: Few corollary impacts on other programs or services

Summary of Issue

Fund balances that accumulate in certain state special revenue funds beyond the amount needed to operate the relevant programs could be transferred to the general fund. Appendix B lists the state special revenue funds identified by LFD staff as of this writing, including a description of the fund and its revenue source, why it is presented as an option, and whether statutory changes are necessary to transfer the balance.

How the Fund Balance Would be Impacted

Fund balance deemed to be in excess of the amount needed for ongoing operations would be transferred on a one-time-only basis to the general fund.

The amount of potential general fund deposits due to this option is as of this writing and will expand as more funds are identified.

Further Work Required

A number of factors will impact whether an observed fund balance could be transferred, including timing of cash flow, anticipated one-time-only expenditures, and other factors.

Legislation Required

Individual funds may have statutory provisions that would need to be adjusted to allow the transfer.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Global Issue	Time : Low	Committee: RTIC
Agency Name: Statewide Issue	Status : On-Going	FTE Impact : N
Program Name:	Mode : Research	MCA : 15-30

Option	General Fund	State Special	Federal Special
Revenue Enhancements	\$10,515,000	\$0	\$0

Description of Option: Individual Income Tax Credit Elimination

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of Issue

The state currently provides 29 individual income tax credits that reduce total tax revenues.

In tax year 2008 the credits provided \$82.5 million in tax revenue reduction. The capital gains tax credits provides the greatest credit value with tax reductions of \$35.2 million. Two of the credits were not used in tax year 2008, the empowerment zone credit and the film production employment credit.

Given the anticipated need for a 10 percent reduction in the overall budget, a reduction of 10 percent of all the credits would provide approximately \$10.5 million to the general fund. The estimate is obtained through the individual income tax model.

Options for changes in individual income tax credits could include: 1) reducing all credits by 10 percent, 2) eliminating all credits for a fixed amount of time, 3) eliminating all credits permanently, and 4) eliminating specific credits permanently or for a fixed amount of time.

How the Fund Balance Would be Impacted

If individual income tax credits were reduced or eliminated, the balance of the general fund would increase.

Further Work Required

Additional research might include how reduction or elimination of various credits would be received by the public.

Legislation Required

To reduce or eliminate all individual income tax credits, twenty-nine statutes would need to be amended.

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Legislative Budget Options

Section Name: Global Issue	Time : High	Committee: RTIC
Agency Name: Statewide Issue	Status : On-Going	FTE Impact : N
Program Name:	Mode : Research	MCA : 15-31-119

Option	General Fund	State Special	Federal Special
Revenue Enhancements	\$0	\$0	\$0

Description of Option: Change Net Operating Loss Carry-back & Carry Forward for Corporate Tax Payers

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of Issue

The corporation tax net operating loss carry-back and carry-forwards have significant impacts on the amount of tax revenues realized by the state. Laws allow corporations with losses to carry-back those losses against profits of the past three years and receive refunds of past taxes paid on those profits. If the losses are greater than the profits of the past three years, corporations may reduce any future profits, and consequently future tax liability, for up to the next seven years. The carry-back provision of the tax code results in significant "refunds" to corporations which will appear in the current tax year.

Options for legislative consideration include 1) eliminating the net-operating loss provisions entirely, 2) eliminating the net-operating loss provisions for a specified amount of time, and 3) reducing the net-operating loss provisions entirely or for a specified amount of time.

In the 2005 Legislative Session, SB 228 and SB 229 proposed such changes. The fiscal note for SB 229, which eliminated the carry-back provision entirely and reduced the carry-forward provision from seven to five years, provided an estimated impact of \$2.5 million. Of increased revenue, \$2.3 million was the calculated one-time only impact of elimination of the carry-back and there was an ongoing revenue impact of \$200,000/fiscal year for the two year reduction of the carry-forward.

How the Fund Balance Would be Impacted

This option would be difficult to quantify, but it would result in higher tax revenue. The impact on tax revenue would depend on the amount of corporation net-operating losses in any given tax year.

Further Work Required

Additional analysis would be required to determine the full general fund impact of changes to the net-operating loss provisions. To provide an adequate estimate of the impact, corporation tax return data would need to be analyzed over a period of time to capture the costs of the provisions.

Legislation Required

To make changes to the net-operating loss provisions, the statutes would need to be amended: 15-31-103, 15-31-119, and 15-31-509.