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FISCAL IMPACT REPORT

ORIGINAL DATE 1/23/06

SPONSOR Sharer LAST UPDATED _____ HB _____

SHORT TITLE Electronic Card Reader Tax Credit SB 215

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
(4.0)	(8.0)	(8.0)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department (TRD)

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 215 raises the amount for an existing credit for the purchase of electronic age verification equipment used by alcohol and tobacco retailers to \$1,000. The credit is currently set at \$300. The new credit may be applied for beginning in tax year 2006.

FISCAL IMPLICATIONS

According to the Taxation and Revenue Department (TRD), the impact of raising the credit from \$300 to \$1,000 will be \$8,000 per tax year. Since the amount is for a tax year, the fiscal impact in FY06, which contains six months of tax year 2006, is \$4 thousand. The impact for FY07 and beyond is \$8 thousand.

TRD reported that only \$900 in credits have been claimed by three taxpayers in 2003 and 2004.

SIGNIFICANT ISSUES

TRD notes:

The usual practice in establishing tax credits is to provide a credit for a specified percentage of the cost of a targeted category of spending. The investment credit for manufacturers, for example, provides credits at the rate of 5 percent of the qualified expenditure. This credit is a fixed dollar amount, regardless of the cost of equipment. It is unclear to what extent the equipment purchases are being subsidized by the tax credits.

ADMINISTRATIVE IMPLICATIONS

TRD reports that since the credit is already in place and the only parameter changing is the amount of the credit, there should be no additional administrative burdens.

NF/mt