

FISCAL NOTE

Requested by Legislative Council
01/12/2005

Bill/Resolution No.: SB 2178

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$283,000)			
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

SB 2178 creates an income tax credit for qualified investments in a dairy farm.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The tax credit provisions of SB 2178 are limited to 30% of the amount invested by the taxpayer in machinery, equipment and structural materials used directly in the operation of the dairy, including replacement purchases. The credit is further limited to 50% of the tax liability in any given year, and can be carried forward for up to 15 years.

There are approx. 380 dairy farms in the state. Taxpayers claiming "agriculture" as their income source pay an average of \$745 per return in individual income taxes. The major limiting factor of SB 2178 appears to be the "50% of tax liability". The fiscal impact assumes a reduction in tax liability for each dairy farmer totaling one-half of the agriculture average tax payment, or \$373 each. This equates to a reduction in state general fund revenues of \$283,000 for the 2005-07 biennium. (NOTE: any large dairy operations that pay significantly more income tax than the average used in this calculation could qualify for a tax credit that exceeds the amount shown here.)

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

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Agency: Office of Tax Commissioner
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