



FISCAL NOTE

House Bill 247

Committee: Finance and Taxation Education Sponsor: Representative Anthony Daniels

Analyst: Jennifer Farish

Date: 04/18/2023

House Bill 247 as passed the House of Representatives creates the Innovating Alabama tax credit program by allowing up to \$25 million in tax credits to be claimed annually by taxpayers that make contributions to economic development organizations for investments in certain technology companies.

This bill could decrease income and utility tax receipts to the Education Trust Fund (ETF), collectively, by an estimated maximum of \$17 million annually, beginning in Fiscal Year 2024, which could be offset in whole or in part, from additional income and sales taxes resulting from economic activity at projects that would not otherwise have been completed but for the incentives provided pursuant to this bill. This bill could also decrease the state portion of the financial institution excise tax, insurance premium tax, and state public utilities license tax receipts to the State General Fund, collectively, by an estimated maximum of \$8 million annually, beginning in Fiscal Year 2024. These amounts are estimated based on the historical proportion of Growing Alabama tax credits, a similar donation-based incentive program, claimed against revenue sources between the two funds. This bill also provides that (1) \$10 million of the annual cap would be reserved for certain innovative companies; (2) no applications for credits may be issued after July 31, 2028; and (3) credits may be carried forward for up to 5 years.

Additionally, this bill will increase the administrative obligations of the Department of Revenue to allow credits to be granted to taxpayers electronically by Innovate Alabama.

Pursuant to the provisions of the ETF Rolling Reserve Act contained in Section 29-9-3(b)(3), Code of Alabama 1975, the provisions of this act would reduce the ETF fiscal year

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appropriation cap for fiscal year 2024 by \$17 million.