

BILL SUMMARY
1st Session of the 57th Legislature

Bill No.:	HB 1884
Version:	CS
Request Number:	8403
Author:	Rep. Fetgatter
Date:	3/13/2019
Impact:	Tax Commission: Unknown Potential Decrease In Income Tax Revenue

Research Analysis

The committee substitute for HB1884 expands eligibility for a tax credit for vehicle manufacturing companies and their employees by making the credit available to qualifying automotive parts companies and their employees. The measure further expands eligibility for the credit by including companies engaged in manufacturing buses or truck-tractors.

Prepared By: Quyen Do

Fiscal Analysis

Analysis provided by the Tax Commission:

Under current law three (3) income tax credits are available for qualified employers and engineers in the vehicle manufacturing industry, effective for tax year 2019 and subsequent tax years:

1. An income tax credit for a qualified employer in the vehicle manufacturing industry for tuition reimbursement to a qualified employee. The amount of the credit is fifty percent (50%) of the tuition reimbursed to a qualified employee for the first through fourth years of employment.
2. An income tax credit allowed for a qualified employer in the vehicle manufacturing industry for compensation paid to a qualified employee. The amount of the credit is ten percent (10%) of the compensation paid for the first through fifth years of employment in the vehicle manufacturing industry if the qualified employee graduated from an institution located in this state; or five percent (5%) if the qualified employee graduated from an institution located outside this state. The credit cannot exceed Twelve Thousand Five Hundred Dollars (\$12,500) for each qualified employee annually.
3. An income tax credit for a qualified employee in the vehicle manufacturing industry of up to Five Thousand Dollars (\$5,000) per year for a period of time not to exceed five (5) years. Any credit claimed, but not used, may be carried over up to five (5) subsequent taxable years.

This measure proposes to expand these credits by allowing automotive parts manufacturing entities as either eligible for the tax credit or as a qualifying industry for the tax credit, provided that the entity is first placed in service on or after November 1, 2019. Also, this measure expands the definition of "motor vehicle" to include buses and truck-tractors.

"Vehicle manufacturing" and "automotive parts manufacturing" mean a private or public company first placed in operation in this state after November 1, 2018, which is engaged in the research, development, design and manufacture of motor vehicles¹ or automotive parts manufacturing which may be driven on the avenues of public access.

The two (2) credits available to employers (based on tuition reimbursement and compensation paid) are subject to an annual cap of three million dollars (\$3,000,000). The credit available to employees is subject to an annual cap of two million dollars (\$2,000,000). The combined credit cap is five million dollars (\$5,000,000) annually.

There is an unknown potential negative fiscal impact, beginning as early as FY20, as a result of this measure.

¹ Under current law "motor vehicle" does not include buses, low-speed electric vehicles, truck-tractors or motor vehicles manufactured primarily for off-road use, such as primarily for use on a golf course. This measure expands the definition of "motor vehicle" to include buses and truck-tractors.

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Other Considerations

None.